

Chairman's Statement



To Shareholder,

The year 2000 is the first complete financial year during which Shandong International Power Development Company Limited was listed. Due to the concerted efforts of the management and the staff as well as the support of shareholders, the Group achieved outstanding operating results.

In 2000, the Group continued its commitment to building a good image for the PRC power industry, by striving to become a power producer with top class management. It continued its emphasis on production safety and stability while also improving the efficiency of its operations and reducing operation costs. The Group also optimised its capital utilisation, improved its debt structure, reduced interest expenses and increased its economic efficiency. As a result, the targets of electricity generation, operation, acquisitions and basic infrastructure have been attained.

For the year ended 31 December 2000, the operating revenue of the Group amounted to RMB6,862,545,000, representing an increase of 19.12% when compared with the corresponding period of 1999; profit attributable to shareholders of RMB1,339,234,000 was recorded, representing an increase of 15.98% when compared with the corresponding period

of 1999; basic earnings per share were RMB0.255. The Board of Directors recommended the payment of a final dividend of RMB0.058 per share.

Electricity generation of the Group in 2000 amounted to 25,451 million kWh, representing an increase of 23.4% when compared with the corresponding period of 1999. The second 300MW unit of Laicheng Plant, which is wholly-owned by the Group, commenced commercial operation on 27 September 2000. The construction technology and quality of the generating unit as well as the test run standards complied with the national requirements for high quality projects. The construction of the third and the fourth 300MW units at Laicheng Plant had been commenced in August 2000 as approved by the State as a result of the continued efforts of the Company. In December 2000, the Company entered into an agreement with the relevant parties in respect of the acquisition of 45% of the enlarged registered capital of Shandong Luneng Heze Minerals Development Company Limited ("Luneng Heze Minerals") (which was completed in February 2001), and became the largest shareholder of Luneng Heze Minerals. The Group will develop two 1,000MW coal-fired units of Zouxian Plant Phase IV and two 600MW coal-fired units of Weifang Plant Phase II. At present, the initial stage of such projects are progressing smoothly.

The Group is located in Shandong Province, where the rate of economic development continued to outperform the average growth of national gross domestic product (GDP) of the country as a whole in recent years. The coastal province, with its sophisticated transportation network, has an edge in economic development over other provinces. These geographical and prerequisite advantages will help pave the way for a prosperous future in the electricity market. The Group will gradually develop in other provinces hereafter with Shandong as its base in order to further expand the scale of the Company.



A new century will certainly bring forth a new business environment as well as new development opportunities for the Group. For instance, the PRC's entry into the World Trade Organization and the western development strategy will further improve the internal

economic situation of the PRC. The in-depth reform in the electricity system of the State will create a splendid opportunity for further strengthening of the Group. The Group has determined to grasp new development opportunities and reinforce its strengths in this new business environment.

I hereby would like to express my gratitude to the management and our staff for their efforts and contribution to our remarkable results. Also , I would like to express my appreciation to the shareholders for their confidence in and immense support towards the Company.

DA Hongxing

Chairman

6 March 2001