

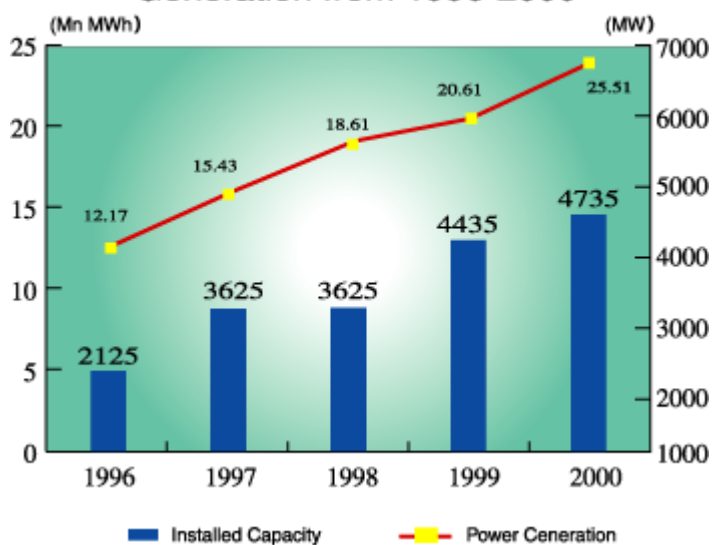
Business Review and prospect



RESULTS

For the year ended 31 December 2000, profit attributable to shareholders of Shandong International Power Development Company Limited (the "Company") and its subsidiaries (the "Group") amounted to RMB1,339,234,000, representing an increase of 15.98% over the same period of 1999, and earnings per share were RMB0.255.

Growth of Power Generation from 1996-2000



POWER GENERATION

Electricity generation of the Group during 2000 amounted to 25,451 million kWh, representing an increase of 23.4% over the corresponding period of 1999. On-grid electricity generation totalled 23,975 million kWh, representing an increase of 23.72% over the same period of 1999. The average utilisation hours of the power generation facilities of the Group was 5,639 hours, which was 245 hours higher than the grid average.

The reasons for significant growth in power generation of the Company include (i) the electricity generation contributed to the Company by Qingdao Plant and Weifang Plant in 2000 was on an annual basis whereas their contributions in 1999 were only half of a year and three months respectively; (ii) the annual electricity generation contributed by the first generating unit of Laicheng Plant and the three-month electricity generation contributed by the second generating unit of Laicheng Plant, which had commenced operation a head of schedule; and (iii) the further improvement in the safety production level as well as an increase in the equivalent availability factor of the generating units.

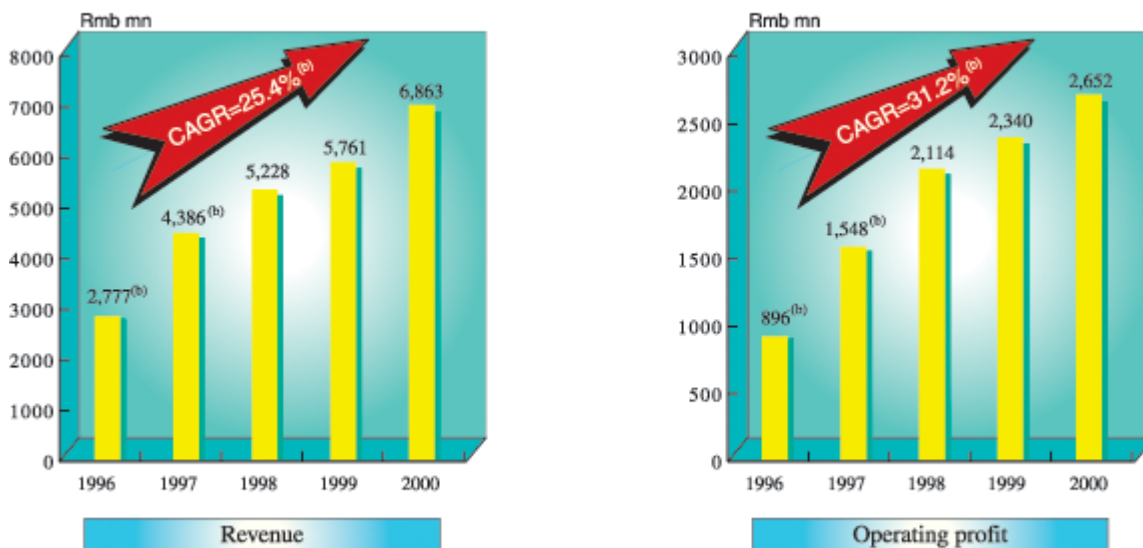
OPERATING REVENUE

In 2000, the total amount of electricity sold by the Group to the grid during the year reached 23,925 million kWh, resulting in an operating revenue of RMB6,863 million, representing an increase of 19.12% over 1999.

During the year, the total amount of electricity sold by the plants (including Zouxian Plant, Shiliquan Plant and Laicheng Plant) which are wholly-owned by the Group reached 21,025 million kWh, representing an increase of 2,740 million kWh and a growth of 14.98% over

1999. Operating revenue contributed by such plants was RMB5,917 million, accounted for 86.22% of the operating revenue of the Group, representing an increase of RMB529 million and a growth of 9.82% over 1999.

Strong Growth of Revenue & Operating Profit



(a) Compounded Annual Growth Rate
(b) Proforma figures

Qingdao Plant and Weifang Plant, in which 55% and 30% of the equity interests were owned by the Group respectively, have contributed 2,004 million kWh and 1,078 million kWh of electricity generated respectively calculated according to the interests owned by the Group, and 1,887 million kWh and 1,013 million kWh of sold electricity respectively, generating revenue of RMB653 million and RMB293 million respectively for the Group.

BASIC INFRASTRUCTURE AND DEVELOPMENT PROJECTS

The basic infrastructure and acquisition projects of the Group were progressing smoothly. The second 300MW unit of Laicheng Plant commenced commercial operation on 27 September 2000. The construction of the third and the fourth 300MW units of Laicheng Plant had been approved by the State on 8 November 2000. It is planned that RMB2,349 million would be invested in the project, 20% of which would be paid out of its internal resources and the balance would be financed by bank loans. As at 31 December 2000, an aggregate amount of RMB159 million had been invested in the project by the Company. It is scheduled that RMB816 million will be invested in the project in 2001. It is planned that the two units will commence operation in 2002 and 2003 respectively.

The Group will develop two coal-fired 1000MW units of Zouxian Plant Phase IV, which will be wholly-owned by the Group. At present, the preliminary feasibility report in respect

of such project had been reviewed by Shandong Electric Power Bureau. The project proposal has been reviewed and assessed by Shandong Development and Planning Commission for approval.

The Group had reached an agreement with the relevant investing parties in respect of joint development of the two 600MW coal-fired units of Weifang Plant Phase II. It is initially agreed that the Company will own 60% of the equity interest in Weifang Plant Phase II. The feasibility report relating to the project has been reviewed by Shandong Electric Power Bureau and assessed by Shandong Development Planning Commission. It is intended to submit a project proposal to the State Development Planning Commission for approval.

On 21 December 2000, the Company entered into an agreement with Shandong Luneng Minerals Development Company Limited, Shandong Luneng Development Group Company Limited, Shandong Heze Huamao Minerals Sources Development Company Limited and Shandong Heze Electricity Enterprises Group Corporation in respect of the acquisition of 45% of the enlarged registered capital of Shandong Luneng Heze Minerals Development Company Limited ("Luneng Heze Minerals") for a consideration of RMB91,338,493 (approximately HK\$86,168,000).

FUTURE PLANS

Speeding up growth, developing and renovation, maximising the profits of shareholders are our objectives all along. In 2001, the Company will grasp the opportunity of the renovation in the PRC electricity system and will speed up development. It is anticipated that internal management can be reinforced continuously to secure and maintain a steady growth in profit.

The objectives of the Group in 2001 are as follows:

1. Ensuring the power plants are operated safely and completing the mission related to electricity generation scheduled in 2001; maintaining the leading position of the plants in terms of their technological and economic standards.
2. Continuing to enhance management standard and maintaining remarkable results of the Company.
3. Increasing its efficiency in the construction of the third and the fourth 300MW units of Laicheng Plant, controlling the construction progress in a scientific manner, ensuring quality and minimising costs.

4. Seeking new development projects which are commercially practicable in order to further develop the Company.
5. Continuing to strengthen the exchange of ideas as well as co-operation with Mirant Asia Pacific Limited of the United States.

CHEN Jianhua
General Manager

6 March 2001