

Chairman's Statement

Dear Shareholders,

2001 was a year of challenge for the Company. Despite increasingly keen competition in the market as well as other adverse factors, the Company was able to achieve strong operating results and complete all the work objectives set for the year. The outstanding achievement was, indeed, a result of strong teamwork among our management and staff as well as their committed efforts to overcome various obstacles during the year, for which the Board of Directors is truly grateful. Meanwhile, we are also thankful towards our shareholders for their unfailing support throughout the years.



The Company achieved satisfactory operating results for the year. For the twelve months ended 31st December 2001, the Company and its subsidiaries realized a net profit of Rmb3.451 billion and a net operating revenue of Rmb15.791 billion, representing increases of 37.16% and 25.79%, respectively, over the corresponding period in 2000. Basic earnings per share was Rmb0.61, an increase of Rmb0.16 over 2000. The Board of Directors has recommended an annual dividend of Rmb0.30 per share.

Expanding Our Pool of Assets, Enhancing Our Operating Strengths

While the strong operating results achieved in 2001 was partly attributable to the Company's effective management, another major factor was the addition of Shandong Huaneng's operating results. The successful merger by absorption of the former US-listed Shandong Huaneng has not only provided a substantial contribution to the Company's operating results, but has also enhanced the operating and competitive strengths of the Company and its subsidiaries. More importantly, the merger has also helped the Company to realize its long-term development strategy of "Dual Emphases": that is, the emphases on acquisition vs. development, green-field vs. expansion projects, coal fuel vs. other fuels, and domestic vs. overseas capital markets.

Strengthening Our Management, Preparing for New Challenges

Faced with an increasingly competitive electricity market and continuous increase of fuel prices during the year, the Company has dedicated its efforts to expanding its markets, strengthening its management and tightening its cost controls. Considerable results were achieved in these respects. In the years ahead, the power generation industry is expected to face more competition and challenges than before. In view of this, the Company and its subsidiaries will further strengthen its management through a good use of modern management techniques to ensure a better integration of its resources and achieve greater economies of scale. We believe that only by strengthening our internal conditions can we fully prepare ourselves for upcoming new challenges.



**Capitalising on Emerging Opportunities,
Leveraging Our Capabilities**

Throughout the years, the Company has consistently taken maximizing shareholder's interests value as its corporate mission and business goal. The PRC's accession into the World Trade Organization helps to open up the market. With a gradual implementation of the power industry's reforms, such as separation of power plants and transmission grids and power sale by competitive pooling, the Company is fully aware that year 2002 will present much greater challenges than before. But at the same time, the Company also faces much more opportunities than ever. It is certainly a time for us to capitalise on the emerging opportunities by expanding our operating scale and growing our capabilities, so as to bring stable long-term growth on investment returns to our shareholders.

Aiming to Become a World-class Utility

The development of the PRC economy is bound to affect the development of the power industry. The Company's competitive advantages will put us in a strong position to overcome challenges and to seize emerging opportunities. In this regard, we will continue to adopt the strategy of dual emphasis of acquisition vs. development so as to ensure further growth of the Company and enhancement of shareholder returns. The Company will continue to improve its corporate governance structure and to strengthen its management, with the aim of becoming a modern, international enterprise and a world-class utility company.

