



Business Review of the Period

Power Generation Management

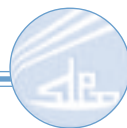
During the first half of 2002, the total electricity generation of the Group amounted to 13,571 million kWh which was calculated according to the proportionate share of generators owned by the Group, increased by 374 million kWh over the corresponding period of the previous year, representing an increase of 2.83%. On-grid electricity generation amounted to 12,753 million kWh, representing an increase of 2.60% over 12,429 million kWh for the same period last year.



At present, the Group owns the entire interests in Zouxian Plant (with a total installed capacity of 2,430MW comprising three 300MW units, one 330MW unit and two 600MW units), Shiliquan Plant (with a total installed capacity of 1,237.5MW comprising four 125MW units, one 137.5MW unit and two 300MW units) and Laicheng Plant (with a construction scale of 1,200MW, of which the first two 300MW units have commenced operation, the third and the fourth 300MW units are under construction). In addition to the above three wholly-owned plants, the Group also holds 55% interest in Qingdao Plant (comprising two 300MW units and 60MW heat and electricity cogenerating units), 30% interest in Weifang Plant (comprising two 300MW units), 70% interest in Shandong Zhangqiu Power Company Limited (“Zhangqiu Company”)(comprising two 135MW generating units under construction), the entire interest in Zibo SIPD Power Company Limited (“Zibo Company”) (comprising two 88.5MW heat and electricity cogenerating units which have commenced operation and another two 135MW heat and electricity cogenerating units which are under construction) and 54.49% interest in Shandong Tengzhou Xinyuan Power Company Limited (“Tengzhou Company”) (comprising one 33MW heat and electricity cogenerating unit which has already commenced operation and another two 135MW heat and electricity cogenerating units which are under construction). As at 30 June 2002, the total installed capacity managed by the Group amounted to 5,737.5MW and the total interested capacity was 5,005.5MW which represented an increase of 270.5MW (ie., an increase of 5.71%) over the total interested capacity of 4,735MW at the end of 2001 and accounted for 22.72% of the total installed capacity of Shandong Province.

During the Period, according to the reliability figures for the year of 2001 announced by China Electric Power Enterprise League, the equivalent availability factor of the Company’s two 600MW generating units in the year of 2001 was 95.10%, which ranked top among those of all the 500-800MW generating units in China.

In the 31st Large-scale Thermal Power Units (with unit capacity of 300MW and above) Competition of the State for the Year 2001, a total of more than 160 generating units from 58 power plants in China participated in this competition. These generating units were examined in accordance with such capabilities as operating efficiency, safe operating period and production rate of the units. Altogether 54 generating units won prizes in the competition. The rate of winning prize was about 32.5%. A total of fourteen 300MW and 600MW generating units of the Group participated in this competition and 9 of which won prizes. The rate of winning prize of the Group reached 64.3%. The sixth unit of Zouxian Plant won top-rank prize (first prize) for the category of 600MW generating units and the second unit of Qingdao Plant, for the second time, won top-rank prize (first prize) for the category of domestically produced 300MW generating units.



During the first half of 2002, the Group's equivalent availability factor of its generating units reached 92.80%, with an equivalent forced outage rate of 0.16% and a capacity factor of 62.80%. As at 30 June 2002, Shiliquan Plant safely continued operating for an aggregate of 1,977 consecutive days, which was the highest record in China among the giant thermal power plants with total installed capacity of 1,000MW or above. Besides, the No.7 unit of Shiliquan Plant recorded the highest record of continuous safe operation for an aggregate of 507 consecutive days among the units with single installed capacity of 300MW in China. And the No.5 unit of Zouxian Plant has been the record-holder of continuous safe operation for an aggregate of 307 consecutive days among the units with single installed capacity of 600MW in China. The record of the continuous safe operation of Laicheng, Qingdao and Weifang Plants all maintained at a satisfactory level.

With the honorary title of "Top Class Power Plant of the State Power Corporation " being awarded to Laicheng Plant on 9 June 2002, all the power plants of the Group, including Zouxian, Shiliquan, Laicheng, Qingdao and Weifang Plants, are all currently accredited as "Top Class Power Plants of the State Power Corporation ".

Construction in Progress and Future Development Projects

The construction progress of the Group's construction projects was being undertaken smoothly. The construction work of the third and the fourth 300MW generating units of Laicheng Plant, which is wholly-owned by the Group, is in progress as scheduled. As at 30 June 2002, the construction cost incurred in this project by the Group amounted to approximately RMB1,194 million, representing 50.79% of the expected total budgeted cost. It is expected that the third and the fourth units will commence commercial operation in 2002 and the second half of 2003, respectively.

All the projects under construction of Zhangqiu Company, Zibo Company and Tengzhou Company have been in progress as scheduled. As at 30 June 2002, the construction costs incurred by the Group in the projects of Zibo Company, Zhangqiu Company, and Tengzhou Company amounted to approximately RMB130 million, RMB506 million and RMB281 million, respectively, representing 14.39%, 55.40% and 28.30% of the respective expected total budgeted costs. It is expected that the first unit constructed by Zhangqiu Company will commence commercial operation in the second half of 2002, and all the other five 135MW units of the three companies are expected to commence commercial operation in 2003.

The Group plans to develop two 600MW coal-fired generating units of Zouxian Plant Phase IV, which is wholly-owned by the Group. The project proposal has been submitted to the State Development Planning Commission for approval.

The Group has preliminarily agreed with the relevant investing parties to jointly develop the proposed two 600MW coal-fired generating units of Weifang Plant Phase II. The Group is expected to own 60% of the development right of Weifang Plant Phase II. The project proposal has been submitted to the State Development Planning Commission for approval.