

# Chairman's Statement



The Company achieved satisfactory operating results for the year. For the twelve months ended 31st December 2002, the Company realised a net profit of Rmb3.921 billion and a net operating revenue of Rmb18.474 billion, representing increases of 13.63% and 16.99% respectively, over the corresponding period in 2001. The weighted average earnings per share was Rmb0.65, an increase of 6.56% over the same period of the preceding year. The Board of Directors is very satisfied with the operating results of the Company in 2002. The Board of Directors proposed to distribute a dividend of Rmb0.34 per share for year 2002.

The steady growth in operating results was attributable to the increased power generation volume of the original power plants and the successful acquisition of the equity interests and assets of Shanghai Shidongkou First Power Plant, Taicang Power Plant, Huaiyin Power Plant and Changxing Power Plant owned by Huaneng Group, thereby enlarging the operating scale of the Company and enhancing the strength and competitiveness of the Company as well as making significant contributions to the remarkable growth in the operating results of the Company for year 2002. At the same time, stringent management also ensures the operational effectiveness and efficiency. In the past year, the Company continued to adopt effective cost control and power plant management measures so that the range of increase in unit fuel cost for power sold was controlled within the scope forecasted at the beginning of the year. Moreover, the Company continued to endeavour to perfect its corporate governance structure in 2002. The compositions of the Board of Directors and Supervisory Committee were adjusted to reduce the number of internal directors and to increase the number of independent directors so that the number of independent directors accounted for one-third of the members of the Board of Directors. Adjustment was made to the special committees of the Board of Directors to include four special committees, namely, the Strategy Committee, the Audit Committee, the Nomination Committee, the Remuneration and Appraisal Committee, thus further strengthening the decision-making power of the Board of Directors over important matters of the Company and the supervision power of the Supervisory Committee.

**Dear Shareholders,**

*2002 was another year of challenge for the Company. The national economy of the PRC continued to show a stable growth trend. The power industry of the PRC entered into a new historic period. The operation and development of the Company reached a new high. In the past year, the Company remarkably completed all the work objectives set for the year as a result of the joint efforts of the management of the Company and all the staff and presented a satisfactory report to the shareholders. On behalf of the Board of Directors, I would like to take this opportunity to thank the management of the Company and all the staff for their hard work and all the shareholders for their unfailing support throughout the years.*

With the announcement in Beijing of the 11 newly formed (restructured) companies in the PRC's power sector, the reform and development of the PRC's power industry entered into a new historic period. As the parent company of the Company, Huaneng Group reiterated, after the restructuring, that it would fully support the development of the Company and would continue to give pre-emptive right to the Company in terms of project development and assets transfer. With the rapid growth of the PRC's economy, the PRC power industry also entered into a new and stable growth period. It is anticipated that power demand will increase at a rate of 6 - 8% in the several years ahead. It will provide the Company with good market prospects and development space for enlargement of its market share and development of new projects. The restructuring of the power industry also provided us with new development opportunities. The Company will continue to actively and steadily expand its assets scale, including acquiring assets from the parent company and selecting suitable opportunities to acquire assets outside the parent company.

At the same time, the Company is also aware that it will face challenges in various areas during the course of development, for example, market competition will become keener; pressure of rising coal prices will increase the difficulty of controlling power generating costs of the Company. Also, the pressure of reduction in electricity tariffs will affect the profitability of the Company. As long as the Company brings its advantages into full play, it will certainly seize opportunities to overcome various adverse factors and will succeed amidst competition. We have accumulated extensive experience in the capital market and power market and the Company will continue to maintain and enhance its advantages in terms of operating scale, location, qualified personnel, management, technology and capital operations in the years ahead.

As regards future development, the Company will continue to uphold the development strategy of "emphasising both development and acquisition, emphasising both greenfield and expansion, emphasising both coal-fuel and other types of fuel; and emphasising both domestic and overseas funds". We believe that the Company will certainly maintain continuous, steady and sound development under the leadership of an efficient and experienced management team and will bring long-term, stable and increasing return to shareholders as a result of the continued growth of the PRC economy, good opportunities provided by the power sector reforms, strong government support at various levels and effective support of our parent company — and particularly the support and confidence shown by the investment sector and shareholders.