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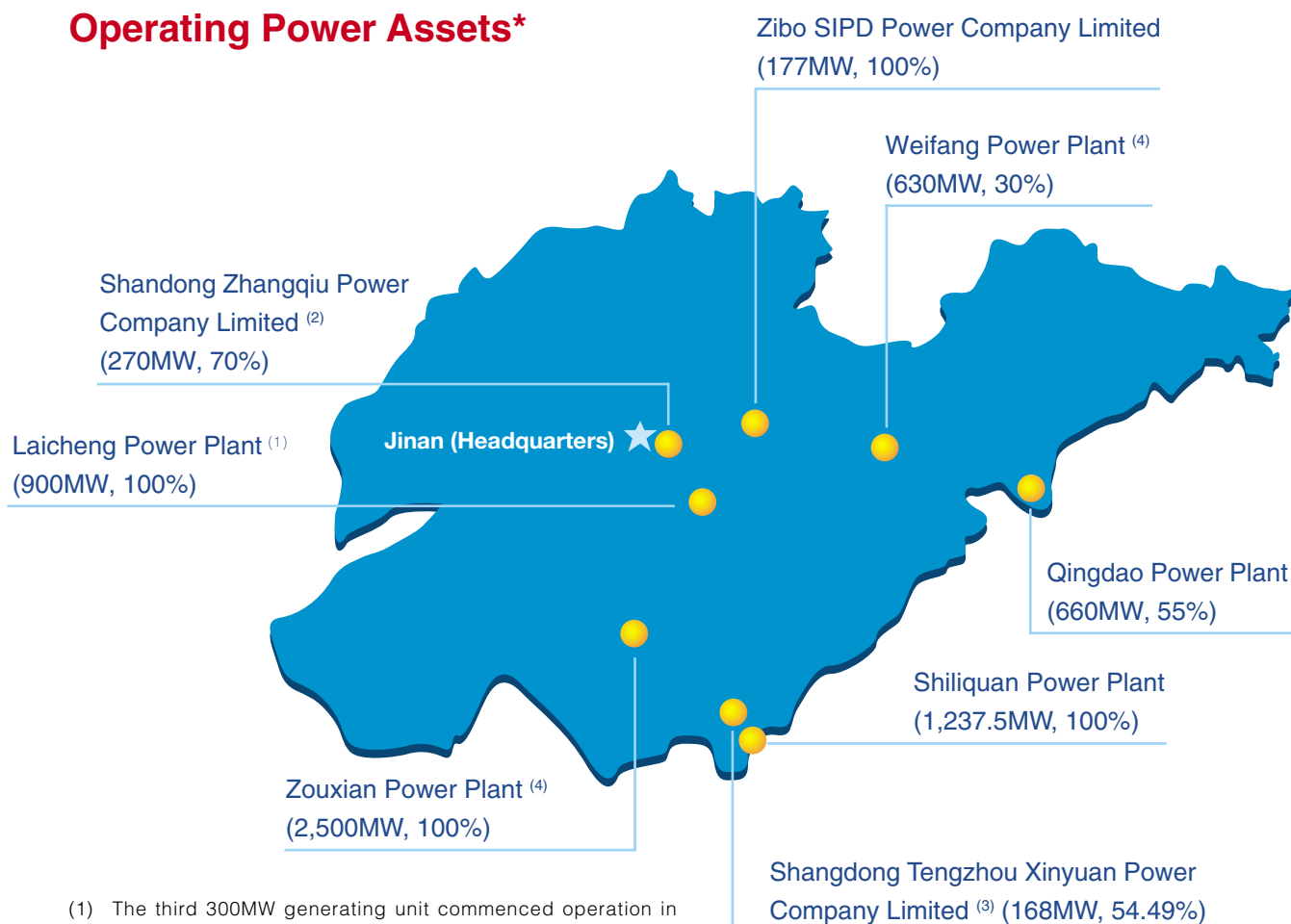


# COMPANY PROFILE

Shandong International Power Development Company Limited (the "Company") and its subsidiaries (the "Group") and its jointly controlled entities are one of the largest listed power producers in the PRC and is also currently the largest power producer in Shandong Province. The Group is primarily engaged in the construction and operation of power plants and other business related to power generation. At the end of 2002, the total installed capacity in which the Group was interested amounted to 5,494.5MW, representing approximately 21.84% of the total installed capacity of Shandong Province with a total of 6,334 employees. As at the date of this report, the total installed capacity in which the Group was interested amounted to 5,647MW and the total installed capacity managed by the Group amounted to 6,542.5MW.

The Company was incorporated in Jinan, Shandong Province, the People's Republic of China (the "PRC") on 28 June 1994. On 30 June 1999, the Company issued approximately 1,431 million H shares in its initial global offering, representing 27.22% of its total share capital comprising 5,256,084,200 shares of the Company, and was listed on The Stock Exchange of Hong Kong Limited on the same day.

## Operating Power Assets\*



- (1) The third 300MW generating unit commenced operation in September 2002
- (2) The first and the second 135MW generating units commenced operation in September 2002 and December 2002 respectively
- (3) The first 135 MW generating unit commenced operation in March 2003
- (4) The installed capacity of the plants were increased by technical upgrades

**Total managed installed capacity: 6,542.5MW**  
**Total interested installed capacity: 5,647.0MW**

\* As at 31 March 2003

At present, the Company owns the entire interests in Zouxian Plant (with a total installed capacity of 2,500MW comprising one 300MW generating unit, one 330MW generating unit, two 335MW generating units and two 600MW generating units), Shiliquan Plant (with a total installed capacity of 1,237.5MW comprising four 125MW generating units, one 137.5MW generating unit and two 300MW generating units) and Laicheng Plant (with a total installed capacity of 900MW comprising three 300 MW generating units, with one 300MW generating unit being under construction which is expected to commence operation in 2003). In addition to the above three wholly-owned plants, the Group also holds 55% equity interest in Qingdao Plant (with a total installed capacity of 660MW comprising two 300MW generating units and four heat and electricity co-generation units with a total installed capacity of 60MW), 30% equity interest in Weifang Plant (with a total installed capacity of 630MW comprising one 300MW generating unit and one 330MW generating unit), 70% equity interest in Shandong Zhangqiu Power Company Limited ("Zhangqiu Company") (with a total installed capacity of 270MW comprising two 135MW generating units), 100% equity interest in Zibo SIPD Power Company Limited ("Zibo Company") (with a total installed capacity of 177MW comprising two 88.5MW heat and electricity co-generation units, with two 135MW heat and electricity co-generation units being under construction) and 54.49% equity interest in Shandong Tengzhou Xinyuan Power Company Limited ("Tengzhou Company") (with a total installed capacity of 168MW comprising one 33MW heat and electricity co-generation unit, one 135MW heat and electricity co-generation unit which has commenced operation recently and one 135MW heat and electricity co-generation unit which is under construction).

The above power plants are all strategically located in the vicinity of the major mines or electricity load centres within Shandong Province.

In addition to the above power plants in Shandong Province, on 28 November 2002, the Company jointly invested and established Ningxia Yinglite Zhongning Power Company Limited ("Zhongning Company") with Ningxia Yinglite Power (Group) Corporation, Ningxia Power Development & Investment Company Limited and Ningxia Power Construction General Corporation, which are interested in 20%, 45%, 20% and 15% of the registered capital of Zhongning Company respectively. The registered capital of Zhongning Company in the first phase was RMB 11.2 million, of which RMB2.24 million was injected by the Company in November 2002 in proportion to the equity interest of 20% held by the Company. Zhongning Company plans to construct two 330MW generating units and has expansion conditions. The total budgeted cost of the project amounts to approximately RMB2,300 million. The two units are expected to commence commercial operation in 2005 and 2006 respectively.

Investment in Zhongning Company is the first time for the Company to invest in the power projects outside Shandong Province which achieved the development strategy of the Company to expand to other regions. The Ningxia Power grid is an important part of the Northwest China Power grid and is also an important basis of the northern channel of electricity transmission from the western region to the eastern region in the PRC. In recent years, the power consumption of Ningxia power grid has greatly increased, which provides enormous development opportunities for the power generating markets. The investment in Zhongning Company creates more cooperation opportunities for the Company to expand the business in the power generating markets in the Ningxia region.



## COMPANY PROFILE

In 2002, the Company adhered to the principle of "developing in the regions which are relatively centralised geographically, and integrating its short-term development with its long-term development" in selecting development projects and implemented the regional development strategy of "expanding to other regions in the PRC with a view to seeking development opportunities in other parts of the world". The Company seized the opportunities arising from the State's implementation of "grand development in the western region" and "transmission of electricity from the western region to the eastern region" and agreed in principle with Inner Mongolia Electric Power (Group) Company Limited ("Inner Mongolia Electric Power"), the controlling shareholder of Inner Mongolia Mengdian Huaneng Thermal Power Corporation Limited (a joint stock company limited by shares incorporated in the PRC and whose shares are listed on the Shanghai Stock Exchange), to acquire from it a minimum of 10% shareholding in Inner Mongolia Mengdian Huaneng Thermal Power Corporation Limited, details of which are set out in the announcement dated 27 March 2002 issued by the Company. As at 31 December 2002, the relevant formal agreement in connection with the proposed acquisition had not been signed.

On 12 June 2002, a total of 160 generating units from 58 power plants of the State participated in the 31st Large-scale Thermal Power Units (with unit capacity of 300MW and above) Competition of the PRC for the Year 2001 in Qingdao. The 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 sixth generating unit of Zouxian Plant won top-rank prize (first prize) for 600MW generating units and the second generating unit of Qingdao Plant won top-rank prize (first prize) for domestically produced 300 MW generating units again. At the same time, a total of five generating units of the Group participated in the National Thermal Power Units (with unit capacity of 100MW and above) Competition, of which four generating units won prizes. Among 131 units of the whole country participated in the competition, the first unit of Shiliquan Plant won top-rank prize (first prize) with the first position in terms of total scores obtained.

In 2002, in line with the restructuring of electricity and power assets, the State Council approved the establishment of five electricity generating group enterprises wholly-owned by the State to manage the electricity generating assets which were originally operated and managed by State Power Corporation of China. Following this development in the power organisation reform, one of these five electricity generating group enterprises, China Huadian Corporation, was formally established. The total installed capacity it controls and that in which it is interested amount to 31,090MW and 20,920MW respectively.

Following the formal establishment of China Huadian Corporation, the entire shareholding interest in 2,815,075,430 domestic shares in the Company which was originally held by Shandong Electric Power (Group) Corporation was transferred by way of administrative allocation to be held by China Huadian Corporation. After the shareholding reallocation, China Huadian Corporation became the immediate controlling shareholder of the Company holding 2,815,075,430 domestic shares, representing approximately 53.56% of the total issued share capital of the Company. As both China Huadian Corporation and Shandong Electric Power (Group) Corporation are wholly-owned by the State, there has been no change in the ultimate beneficial ownership of the approximately 53.56% shareholding interest in the Company and in the operations of the Company following completion of the shareholding reallocation. The Company will continue to be principally engaged in the electricity-generating business.

As certain other electricity and power assets owned by the State have been and will continue to be transferred to China Huadian Corporation, the enterprises which are under the control and operation (or will be under the control and operation) of China Huadian Corporation may compete with the Group in the same industry. However, in respect of the potential competition, China Huadian Corporation has signed an undertaking to provide preferential treatment and to support the Company's development (please refer to the section headed "Support from China Huadian" in the announcement of the Company dated 8 April 2003 for details in relation to the undertaking given by China Huadian Corporation in favour of the Company). At the same time, to the knowledge of the Directors, members of the senior management of China Huadian Corporation have extensive experience in the management of power industry. Accordingly, the Company's Board of Directors believes that the implementation of this restructuring plan and the shareholding reallocation will have positive impact on the Company's operations in the future.

## SHAREHOLDING AND CORPORATE STRUCTURE

