## CHAIRMAN'S STATEMENT

## DEAR SHAREHOLDERS,

I hereby present the audited annual results of the Group for the year ended 31 December 2004.

During the year, despite keen competition and various unfavourable factors, the Company, under the support of the government and shareholders as well as the concerted efforts and diligence of the management and our staff, accomplished various predetermined targets for the year.

Electricity generation of the Group during the year ended 31 December 2004 amounted to 37.45 million MWh, representing an increase of approximately 28.47% over 2003. The operating revenue for the year amounted to approximately RMB10,175 million, representing an increase of approximately 26.15% over 2003. The Group's profits attributable to shareholders amounted to approximately RMB1,046 million, representing an increase of approximately 1.66% from 2003. Earnings per share were RMB0.199. The Board recommended the payment of a final dividend of RMB0.035 per share for the financial year ended 31 December 2004.

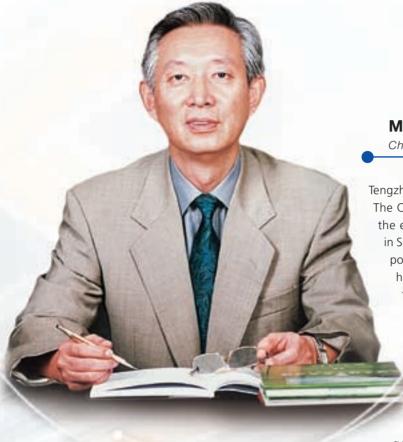
As a further step in light of its nationwide development strategy, the Group acquired 40% equity interest in Chizhou Company held by China Huadian Corporation during the year, laying a solid foundation for the Company's development as a national independent power company.

In order to further expand its financing channels, the Company successfully completed its A share issue in the PRC. The Company's A shares were listed on the Shanghai Stock Exchange on 3 February 2005. The total proceeds from the issue at an issue price of RMB2.52 per share amounted to RMB1,927,800,000.

To increase the rate of return for shareholders and strengthen its core competitiveness, the Group has been continuously exploring new opportunities for the development of electricity business in the country with a view to maintaining its position as one of the largest and most competitive listed power companies in China. The project development of the Group was in smooth progress. The projects under construction and under development are in smooth progress. To date, the projects under construction include the second 330MW generating unit of Zhongning Company, two 300MW generating units of Qingdao Company Phase II expansion project and two 300MW generating units of Chizhou Company. For the projects under development, the State Development and Reform Commission ("SDRC") has issued approvals in respect of two 1,000MW generating units of Zouxian Plant Phase IV expansion project and two 600MW generating units of Guangan Company Phase III expansion project. Currently, the relevant parties are performing preparation work for these projects before construction.



## CHAIRMAN'S STATEMENT (continued)



In addition, the Group's preliminary projects including

its two 670MW generating units of the proposed

Weifang Plant Phase II, two 600MW generating units of

the proposed newly-constructed Ningxia Lingwu Plant

("Lingwu Plant") Phase I (70% owned) and two 600MW

generating units of the proposed newly-constructed

Tengzhou Plant Phase I (wholly owned) have all passed

the appraisal of China International Engineering Consulting Corporation ("CIECC") appointed by SDRC.

The Company is preparing supplementary documents

required under the PRC new approval policies in respect

of these projects and the Company has obtained the

approval document issued by SDRC (FGBNY [2004] No.

2373) in respect of the preliminary work of Lingwu Plant

Phase I project. The Company is also preparing

supplementary application documents to SDRC under

the PRC new approving policies for two 300MW heat

and electricity co-generating units of the proposed

Zhangqiu Company Phase II project, and two 315MW heat and electricity co-generating units of the proposed

Mr. He Gong

Chairman

Tengzhou Company Phase II project (54.49% owned). The Company will expedite the preliminary work for the existing power plants with expansion potential in Shandong Province, and embark on other reserved power projects on a timely basis. In 2004, the Board has approved to commence the preliminary work for the Sichuan Luding Hydropower Station project. Its feasibility report is expected to be completed by May 2005.

The PRC's gross domestic products ("GDP") for 2004 reached RMB13,651.5 billion, representing an increase of 9.5% over 2003 determined based on comparable pricing. Currently, the Company's power

generating assets in operation or under construction are located in Shandong, Sichuan, Ningxia and Anhui. These provinces or municipalities experienced fast-growing economy and considerable GDP growth in recent years. Determined based on comparable pricing, the GDP growth rates in respect of Shandong, Sichuan, Ningxia and Anhui provinces or municipalities in 2004 reached 15.3%, 12.7%, 11% and 12.5%, respectively. These GDP growth rates were higher than the national average growth rate by 5.8, 3.2, 1.5 and 3 percentage points, respectively. It was the fourteenth consecutive year that Shandong Province has recorded a double-digit economic growth rate.

During the past year, the Group's achievement in its operating results was attributable to the unremitting efforts devoted by its staff as well as the support of shareholders. I hereby express my heartfelt thanks to them. In its future operational development, the Company will strive to keep up with its efforts to create more promising results in recognition of the support of shareholders.

**He Gong** Chairman

Jinan, Shandong Province, The People's Republic of China 22 March 2005