

Mr. Chen Jianhua

Director and General Manager



POWER GENERATION

Electricity generation of the Group during 2004 amounted to 37.45 million MWh, representing an increase of approximately 28.47% over 2003. The average utilization hours of the power generation facilities of the Group were 5,089 hours, representing an increase of 269 hours over 2003.

TURNOVER

In 2004, the total volume of electricity supplied by the Group to the grid was 34.92 million MWh, representing an increase of approximately 28.11% over 2003. Turnover for the year 2004 amounted to approximately RMB10,175 million, representing an increase of approximately 26.15% over 2003. The revenue from sale of electricity for the year 2004 amounted to approximately RMB9,976 million, representing an increase of approximately 25.94% over 2003. The revenue from sale of heat for the year 2004 amounted to approximately RMB199 million, representing an increase of approximately 37.77% over 2003.

PROFIT

For the year ended 31 December 2004, the Group's profits attributable to shareholders amounted to approximately RMB1,046 million, representing an increase of approximately 1.66% from the year of 2003. Earnings per share were RMB0.199.

NEW INSTALLED CAPACITY

Two generating units of the Group commenced operation during 2004: two 300MW coal-fired generating units of Guangan Company Phase II expansion project were completed and commenced operation on 21 July 2004 and 26 October 2004 respectively.

In 2004, a total of 5 generating units with expansion capacity resulting from technological renovation totalling 55MW were approved by the PRC authorities.

On 22 January 2005, the first 330MW generating unit of Zhongning Company was completed and commenced operation.

CONSTRUCTION IN PROGRESS

To date, the Group's projects in progress include the second 330MW generating unit of Zhongning Company, expansion project of two 300MW generating units of Qingdao Company Phase II and two 300MW generating units of Chizhou Company.

PRELIMINARY PROJECTS

The two 1,000MW ultra-supercritical generating units project of Zouxian Plant Phase IV and the construction of two 600MW generating units of Guangan Company Phase III have been approved by the State Development and Reform Commission (the "SDRC"). Currently, the relevant parties are performing preparation work for these projects before construction. It is expected that the two generating units of Zouxian Plant Phase IV project will be completed and will commence operation in 2007 and 2008, respectively, while the two generating units of Guangan Company's Phase III project will also be completed and will commence operation in 2007 and 2008, respectively.

Other preliminary projects of the Group include : 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), two 600MW generating units of the proposed newly-constructed Tengzhou Plant Phase I (wholly owned), which 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 approval 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 Tengzhou Company Phase II project (54.49% owned). The Company will expedite the preliminary work in the Shandong Province for the existing power plants that have expansion potential, and embark on other reserved power projects on a timely basis. In 2004, the Board has resolved to commence the preliminary work for the Sichuan Luding Hydropower Station project, and the preliminary feasibility report is expected to be completed by May 2005.

BUSINESS OUTLOOK

Through a decade of rapid growth and continuous expansion, the Group, as a listed power generating enterprise in China, ranks high in respect of its installed capacity, power generation, profitability, competitiveness and strength. In 2005, the Company will continue to put efforts in operation improvement, power project development, cost-effectiveness enhancement and capital operations, aiming at reinforcing the overall strength and competitive edges of the Company.

In 2005, it is expected that the PRC economy will continue to expand steadily and electricity demand will keep rising. In view of these factors, the Company will continue to leverage on its strengths, seize any opportunities and constantly explore and expand its operations. The Company is confident that with its strengths, it will capitalize on every opportunity and meet every challenge to secure and maintain a steady growth of the Company.

The major objectives of the Group in 2005 are as follows:

1. To ensure that the power plants will be operated safely, achieve the target of the Group regarding electricity generation scheduled for 2005, tightly control the costs and maintain the leading position of the plants in terms of their technological and economic performance.
2. To ensure safety of the construction in progress, control the progress of construction projects effectively, maintain the quality of works, minimize unit costs, and strive to achieve commencement of commercial operation of a 300MW generating unit of Qingdao Company's Phase II project, the two 330MW generating units of Zhongning Company and a 300MW generating unit of Chizhou Company in 2005.
3. To proactively push forth the progress work of the Group's preliminary projects.
4. With the support from China Huadian Corporation, to continue with the Group's efforts in exploring power generation markets in the country based on the foundation of its consolidated market share in power markets in Shandong Province.
5. To actively explore additional fund-raising channels so as to lower the Company's finance costs and rationalize its capital structure, and prepare ahead for meeting future financing needs arising from the Company's fast-growing expansion.
6. To continue to enhance the efficiency of the generating units through technological improvement.

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Jinan, Shandong Province, The People's Republic of China
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