

Letter to Shareholders



CHINA POWER International Development Limited, together with its subsidiaries and associated company, has over the years accumulated extensive experience in developing constructing, operating and managing power plants, and has built up a good reputation in the power industry and capital markets. With the steady growth of the national economy in China, the demand for electricity will remain strong and regulation of the market competition will continuously be improved. We will follow our objectives and strategies to leverage on the benefits of a centralized management of power plants, and add value to our existing assets and achieve the rapid development of the Company through acquisitions and constructions of power plants. We are confident of the prospects of the Group and we will strive to develop the Group into a prominent corporation in the power industry in China, thereby creating and enhancing shareholder value.

We strive to provide stable and reliable power supply.



To all shareholders:

It has always been our goal to maximize shareholder value.

The Company is the only overseas incorporated and listed company among the five national power-generating groups in China. We have accumulated over ten years of international operation experience since inception. Leveraging on our advantages of low operating costs and high growth potential, we are confident to develop into a leading independent power-generating company in China.

REVIEW OF 2005

2005 is the first full financial year following the listing of China Power. During the year, under the strategic direction of the Board and with a strong team spirit, the Group grasped the opportunities in the rapidly growing PRC power market and actively capitalizing on the fuel cost pass-through policy. Reinforcing its internal control, China Power established a management system focusing on risk management. We were committed to improving our operation and expediting our construction projects and technology development, focusing on safety production and environmental protection and leveraging on all kinds of resources. In order to strengthen our market position, we acquired Shentou I Power Plant and continued to seek expansion opportunities.

For 2005, China Power recorded a net profit of RMB661,904,000 and return on net assets of 9.71%. The gross generation reached 20.144 billion kWh and net generation coal consumption rate was 345.25 grams/kWh. The safety and production conditions were satisfactory and there have been improvements in our major economic and technology indicators.

Whilst we achieve satisfactory operating results and good return for shareholders, we have also contributed to the society by actively participating in various charitable activities.

OUTLOOK FOR 2006

It is expected that in 2006, the PRC government will try to increase the domestic demand and continue in a consistent manner to keep the macro economic policies and measures stable. With the accelerated pace of industrialization, urbanization, marketization and modernization, the national economy will maintain steady growth at a fast rate. We will continue to benefit from China's economic growth and further improvements in competition in the regional power markets. Despite this, we expect to face pressure from intensified competition in various regional power markets as well as risks arising from the increasing complexity of our operations. We face an enormous task in further expediting our expansion by asset acquisitions and construction of new power plants. The need for establishing a comprehensive management system that is able to cope with competition in the power market and regulations in the capital market so as to further boost our ability to compete and achieve sustainable development is indeed very pressing.

FOCUSES FOR 2006

ACHIEVE RAPID DEVELOPMENT WITH STRENGTHENED STRATEGIC MANAGEMENT

The Company will take a more practical approach in the formulation of the Group's strategic plans in accordance with the changing environment arising from the restructuring of energy sector and developments in the power market. A strategic framework and system will be established on the basis of core strategies and the progressive development of supporting systems, such as performance management system, in order to enhance the ability to implement strategies. Emphasis will be placed with the Company's coordinated development in both the capital markets and power markets. The Company will carefully plan the structure of power sources and the geographic distribution of power assets, as well as push ahead with its new power plant construction in a scheduled, systematic and focused manner. In addition, the

Company will also push ahead in capital market activities and take initiatives in mergers and acquisitions, as well as coordinate the developments of both existing assets and newly added assets, so as to achieve a comprehensive, coordinated and sustainable growth.

REINFORCE TEAM-BUILDING EFFORTS WITH PEOPLE-ORIENTED POLICY

By instilling the concept of “Talents are the most important resource”, the Company will strive to enhance the overall quality of its staff. We will emphasize on the staff competency and performance evaluation indicators and focus on training in respect of operational management and capital operation. Appropriate systems will be established within the Company in respect of staff training and development, assessment, selection and promotion, incentive and discipline as well as turnover and secondment. We plan to sharpen our edge in coping with market competition, conducting capital operations and managing investor relations. By building up a comprehensive, consistent and systematic performance assessment system, we can ensure the availability of human resources, and enhance staff motivation and innovation, so as to lay down the foundation the Company's rapid and healthy development.

STABILIZE OPERATING RESULTS BY FOCUSING ON THE EVALUATION OF ASSETS OPERATING PERFORMANCE

We intend to improve and enhance our operating results by closely monitoring market demand and implementing cost control and refined management. Firstly, the Company will monitor closely the fuel cost pass-through policy and be well prepared for power pooling scheme in the regional markets. Secondly, the Company will further improve its assets operating performance assessment system in accordance with the regulation requirements for listed companies. Thirdly, the Company will strengthen the analysis of operating performance and economic operation, especially in implementing budget supervision and analysis, and objective

management, refined management and procedural management. Fourthly, multiple measures will be implemented for the strict control over costs and expenses and the enhancement of fund utilization efficiency. Fifthly, the Company will strengthen the fuel and logistics management to ensure the stable supply of coal.

IMPROVE PRODUCTION SAFETY MANAGEMENT AND ENHANCE OPERATIONAL SAFETY AND RELIABILITY

Efforts will be committed to improve the safety management, supervision and assurance systems in all aspects to ensure operation safety. An effective work safety management system appropriate for the specific situation of the Group will first be established. In addition, we will develop and improve our on-grid electricity generation management system. The Company will devote increasing resources on technology development, so as to promote technology innovations and facilitate the progressing and implementation of the key technology projects. Full-scale tests and analyses on generation unit performance will be conducted under the principles of “safety, reliability, economic efficiency and environmental friendliness”, so as to reduce energy consumption and sustain the enhancement of the economic performance, reliability and operating conditions of the facilities.

TACKLE MARKET COMPETITION AND ESTABLISH REGULATED AND SCIENTIFIC MANAGEMENT MECHANISM

We will reinforce internal reform and leverage on the new systems and mechanism and persistent efforts will be committed to promote system development and promote regulated, scientific and refined management with an aim of further improving the internal control system. Through the implementation of overall information technology plan, the Company will push ahead with the construction of information infrastructure, so as to establish a standardized information platform which serves as an essential element for modern management.

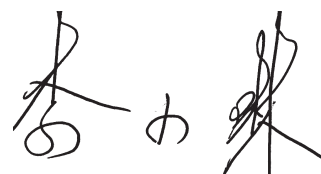
In conclusion, we will fully implement the decisions of the Board of the Company in all aspects. In line with our belief of “planning, procedures, revision and excellence”, we aim to achieve regulated operation, refined management and rapid development, so as to establish and persistently improve our management system that is able to cope with competition in the power market and regulation in the capital market and enhance the profitability, sustainability and risk resistance of the Group in order to ensure that our investors will obtain long-term, stable and satisfactory returns.

Finally, on behalf of the Board, we would like to express our sincere gratitude towards our shareholders, business partners and friends for their concern and support extended to the Company, and to all our staff for their commitment, devotion and hard work made over the year.



Wang Binghua
Chairman of the Board

Hong Kong, PRC
16 March 2006



Li Xiaolin
Vice-Chairman of the Board and Chief Executive Officer

Expanding Our Asset Portfolio and Maximizing Shareholder Value

