

Chairman's Statement

DEAR SHAREHOLDERS,

I hereby present the annual results of the Group for the year ended 31 December 2005.

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 financial year ended 31 December 2005 amounted to 46.82 million MWh, representing an increase of approximately 25.03% over 2004. Operating turnover for the year amounted to approximately RMB13,330 million, representing an increase of approximately 30.71% over 2004. The Group's profits attributable to equity shareholders amounted to approximately RMB1,066 million, representing an increase of approximately 1.98% over 2004. Earnings per share were RMB0.179. The Board recommended the declaration of a final dividend of RMB0.065 per share for the financial year ended 31 December 2005.

Mr. He Gong
Chairman



CHAIRMAN'S STATEMENT *(continued)*

As a further step in light of its nationwide development strategy following the acquisition of 40% equity interests in Chizhou Company held by its controlling shareholder China Huadian in 2004, the Group entered into share transfer agreements with China Huadian in 2005 to acquire 97% equity interests in Suzhou Company and 90% equity interests in Xinxiang Company. Such transactions laid a solid foundation for the Company's development as a national independent power producer.

In order to further expand its financing channels, the Company successfully completed its A share issuance in the PRC. The Company's A shares were listed on the Shanghai Stock Exchange on 3 February 2005. The total proceeds from the A share issuance 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 development of electricity business throughout the country, with a view to maintaining its position as one of the largest and most competitive listed power producers in China. The Group's projects under construction and under development are in smooth progress. To date, the Group's projects under construction include two 1,000MW generating units of Zouxian Plant Phase IV expansion project, the No.2 300MW generating unit of Qingdao Company Phase II expansion project, two 670MW generating units of Weifang Company Phase II expansion project, two 600MW generating units of Guangan Company Phase III expansion project, two 600MW generating units of Lingwu Company, two 600MW generating units of Suzhou Company, two 660MW generating units of Xinxiang Company and two 600MW generating units of Luzhou Company.

Moreover, preliminary projects controlled and developed by the Group include two 300MW heat and electricity co-generating units of Zhangqiu Company Phase II project and two 315MW heat and electricity co-generating units of Tengzhou Company Phase II project. In addition to developing thermal power, the Company further strengthens the development of Sichuan Daduhe Luding Hydropower Station and strives for earlier approval by the State while at the same time actively seeks to obtain the development rights for other hydroelectricity projects along the Daduhe river basin and new hydroelectricity resources. The Company also endeavors for a breakthrough in new power projects such as wind power generation and biomass energy power generation.

Currently, the Group's power generating units in operation or under construction are located in Shandong, Sichuan, Ningxia, Anhui and Henan Provinces / Autonomous Region with fast-growing economy and considerable GDP growth in recent years. Based on comparable pricing, the GDP growth rates of Shandong, Sichuan, Ningxia, Anhui and Henan Provinces / Autonomous Region in 2005 reached 15.2%, 12.6%, 10.3%, 11.8% and 14.1% respectively. Their GDP growth rates are higher than the national average by 5.3, 2.7, 0.4, 1.9 and 4.2 percentage points, respectively. It was the fifteenth 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 local governments and shareholders. I hereby express my heartfelt thanks to them. In the future operation and development, the Company will strive to keep up its efforts to create more promising results to render satisfactory return to shareholders.

He Gong
Chairman

Jinan, Shandong Province, the PRC
24 March 2006