

Appropriate Growth on

Coal-Fired Power

Build a Solid Profit Platform



In 2005, Datang Power had a total of 3,200 MW of coal-fired generation units that commenced operation. These included Units 5 and 6 at Tuoketuo Power Company, Unit 2 at Shentou Power Company, Unit 2 at Liancheng Power Company and Units 1 and 2 at Wangtan Power Company. In addition, twelve 600MW coal-fired units with capacity totalling 7,200 MW were approved by the NDRC. Datang Power will continue to develop coal-fired projects appropriately, so as to build a solid platform for continued profit growth.

Chairman's Statement



To all shareholders :

In 2005, the Company made various promising achievements in the areas of production, operation and project construction, accelerating its development backed by stronger integral capabilities. The Company led the domestic power industry on several fronts: rapid increase in installed capacity; growth in profits; growth in power generation; project construction duration and construction costs as well as profit margin per kilowatt (kW) and taxation. These strengths together formed an all-round development strategy framework for the Company, which enabled it to become an enterprise with the highest profitability in the domestic power industry and form an effective and competitive management team.

As at 31st December 2005, consolidated total assets of the Company and its subsidiaries and a jointly controlled entity (hereinafter referred to as the "Company and its Subsidiaries") amounted to approximately RMB64,536 million, an increase of approximately RMB15,061 million over the year of 2004 (the "Previous Year"). Consolidated operating revenue amounted to approximately RMB17,994 million, an increase of 32.47% over the Previous Year. Profit attributable to the Company's shareholders amounted to approximately RMB2,351 million, an increase of 2.55% over the Previous Year. Earnings per share was approximately RMB0.46, an increase of RMB0.02 per share over the Previous Year. As at 31st December 2005, total installed capacity of the Company and its Subsidiaries amounted to 13,810 MW.

In the year of 2005 (the "Year"), the Company continued to maintain a high level of safe production with an overall equivalent availability factor of 93.15%. Power generation by the Company and its Subsidiaries increased by approximately 27.10% over the Previous Year. Coal consumption was approximately 350.62g/kWh, a decrease of approximately 1.81g/kWh over the Previous Year. Weighted self-consumption rate was approximately 6.14%, an increase of approximately 0.16% compared to the Previous Year.

The PRC government has established the directive thinking that employs the scientific development perspective to guide the economic and social development of the country, bringing up the two objectives of doubling per capita GDP of year 2000 by year 2010 and reducing power consumption per unit GDP by approximately 20% from the closing of the Tenth Five-Year Plan. Judging from the said circumstances, the development of China's economy in the next five years will witness the following characteristics: (1) China's economy will grow at a steady and relatively fast pace and the existing prominent conflicts and problems will be resolved more quickly given the higher speed of development; (2) the adjustment of the economic structure will be more rapid; the self-innovative ability of enterprises will obviously become stronger; growth of the high-tech industry, high value-added products and a recyclable economy will pick up and industries characterised with high power consumption and high pollution will be strictly controlled; (3) the establishment of a saving-oriented society will be fully rolled out, which will result in higher resources and energy utilisation rates, gradual reduction in per unit power consumption and a declining tendency of the power elasticity coefficient; (4) more harmonious development between the urban and rural areas and across regions, aiming for a gradual improvement in the weaknesses of electricity

development; (5) reforms will be reinforced and particularly, significant breakthroughs will be achieved in the reforms in key industry areas and monopolistic industries, while reforms in the power industry will also be deepened.

Under the aforesaid circumstances, in the next five years there will be factors facilitating as well as restricting the growth of electricity demand. There is still much room for the growth of electricity demand, estimated to be not lower than 10%. For the power industry, there will be both opportunities and challenges in the next five years.

In 2006, the Company will seize the unique development opportunities available to the industry, and will continue to pursue rapid, sustainable growth and unceasing enhancement of our integral capabilities. The power generation structure of the Company will transform from the single mode of coal-fired power generation to the development of renewable energy such as hydropower, nuclear power and wind power; and its business structure will transform from purely power generation business to the development of integrated power related upstream and downstream assets chain. On the other hand, the Company will emphasise the balance between the pace of growth and the quality and effectiveness of growth, aiming to achieve synchronous growth in operating scale and effectiveness. The Company will be careful in selecting and optimising its projects, controlling construction costs, and preventing investment and operational risks. In short, the Company will further enhance shareholder value, work hard to maximise profitability and strengthen its competitiveness and productivity, with a view to providing high-quality and safe power supply to the public and pushing forward a rapid, sustainable development of the Company.

Meanwhile, the Company will continue to count on its investors for their views and opinions and to seek effective communication with its shareholders, so as to achieve high management effectiveness and transparency. We will enhance our efforts in communicating with the market in various forms and in cultivating the Company's influence in the market, in an endeavour to uphold its positive image and to procure a continued growth in shareholder value.

Last but not least, may I express my sincere gratitude to all shareholders, various organisations and friends for their trust and support over the year.

Zhai Ruoyu
Chairman

27th March 2006