



We strive to provide stable and reliable power supply.



CHINA POWER International Development Limited, together with its subsidiaries and associated companies, have over the years accumulated extensive experience in developing, constructing, operating and managing power plants, and have 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 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.

To all shareholders:

With the trust and support from our shareholders and all parties involved, China Power further developed its strategy in the year through asset acquisitions and refined management. Continuous improvement in management contributed in the stable gain of our results, bringing us a good momentum of growth for the future.

1. Review of 2006

During this year, we weathered numerous operational risks in both the domestic and overseas markets. Profit attributable to equity holders of the Company amounted to RMB702,767,000 for the year.

2006 was the first “Year of Refined Management” for China Power. Pursuant to which we focused on various aspects like asset management, production safety, environmental protection, internal control and performance management, etc. We have also revised our authorization management manual and management system and commenced assessment on risk management and energy conservation. Our standards on safety, health, environmental protection and equipment are continually being improved by our efforts. Furthermore, we have improved our system of performance assessment. Through these measures, we aim at value creation to continuously increase our market value.

China Power was successful on acquisitions in the past year. Among these, the acquisition of 25% equity interest in Shanghai Power increased China Power’s attributable installed capacity by more than 25%, reaching 5,348 MW, which is a major step in the development strategy for China Power.

At the same time, the construction of six generation units of 600 MW run smoothly with safety, quality, cost and progress under control.

Over the year, we have reaped fruitful results on establishing corporate culture. “Still water runs deep” is our district corporate culture which represents our core values of “responsibility, honesty, wisdom and value” and because of its originality, thoughtfulness and clarity, this culture is widely accepted by employees, industry experts and society alike.

2. Outlook for 2007

In the coming year, we will strive to increase the value of the Company as our main focus by capitalizing on new tasks ahead. Under the leadership of the Board, we will reinforce our development strategies, further optimize our capital structure, strengthen refined management and enhance efficiency, thus continuing the Company's rapid and healthy development.

In particular, special focus will be given to the following eight areas:

First, according to the basic principles set out in the framework of power industry development strategy to devise company development strategies and strengthen their implementation through scientific and effective system of strategic management.

Second, focus on acquisitions and greenfield projects to achieve organic growth. We are building six generation units of 600MW and ensure that all the units will put into operation as scheduled. Besides, we will actively pursue strategic alliance and seek opportunity to acquire quality assets that suit our strategic needs.

Third, be responsive to changes in the electricity market to boost operational results. We will establish a practical and effective system of safety, health and environmental protection to maintain production safety. In addition, we will strengthen the technical upgrades in respect to energy conservation and environmental protection, carry out environmental-friendly projects such as desulphurization and upgrade the circulation systems of generating units, particularly units of 200MW or more. Under these measures, the economy of scale and overall competitiveness of the power plants can be enhanced continuously.

Fourth, build a scientific system of performance assessment conforming to our corporate values, focusing on new financial assessment system which will be based on factors such as profitability, asset quality, liability risk and growth potential, etc.

Fifth, go on to build up internal control system. Following our risk management plan, we will issue the Corporate Governance Report and initiate internal control measures to ensure the continual improvement of the Company's overall risk management standard.

Sixth, accelerate the establishment of information system to improve the Company's standard and efficiency of management. We will promote the development of application systems, continuously upgrade the information management system for power generation and complete the construction of the real-time data center.

Seventh, commit to build a harmonious corporate culture of "still water runs deep". We will adopt "responsibility, honesty, wisdom and value" as our core values, integrate them to the finest detail and endeavor to increase the value of the Company and our employees in the long run.

Eighth, strengthen our talent team, cultivate an outstanding team. We will refine our recruitment and training mechanism and leverage on performance assessment, which help nurture talented management personnel, technological backbone and employees for China Power.

In 2007, we will take opportunity for development, build up team spirit and continuously streamline our business to achieve better results, increase our corporate value, pursue sustainable development and the most importantly, with returns to shareholders and society.

Li Xiaolin

Vice Chairman and Chief Executive Officer

China Power International Development Limited

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