

<< Investor Relations

INVESTOR RELATIONS WORK IN 2003



The Company attaches great importance to communication with investors and strives to establish clear communication channels and carry out open and transparent disclosure of information. In 2003, in line with the businesses of the Company, we disclosed information of the Company in a timely and accurate manner by various means. We were able to have information disclosed by the Company and external publicity complied with the regulatory requirements of various listing places so that investors have a relatively objective and comprehensive understanding of the Company and reforms of the power industry in order to safeguard and enhance the credibility of the Company and its image in the capital markets.

During the year, the Company dispatched a total of 74 press releases and held more than a hundred “one to one” meetings for overseas investors through road shows and conferences with the investment sector, and organized investors inside and outside the PRC to visit power plants so as to provide them with opportunities to have direct communication with the power plants’ management. “Openness of the Company” satisfied the demand of the investors to obtain an understanding of the production and operation, financial position and strategic information of the Company in a timely manner, and attracted the attention of more and more investors who have developed their confidence in the prospects of the Company. During the year, the Company obtained the “2003 Best IR from a Chinese Company—Large Cap” award given by *IR Magazine*, the “Best Investor Relationship for PRC Companies” award and the “Best Investor Relationship for Energy Utilities in Asia-Pacific Region” award given by *Institutional Investor*, the “Overall Best Managed Company in China” award given by *Asiamoney* and the “Best Public Utilities Company in Asia” award given by *Euromoney*.



QUESTIONS FREQUENTLY ASKED BY INVESTORS

How does the Company cope with fuel cost increase?

The Company copes with fuel cost increase mainly through the following measures:

- (1) to control coal procurement costs and to reduce transportation costs and storage loss;
- (2) to continue to promote coal blending burning work in order to off-set the price increase of the originally designed major burning coal types;
- (3) to further reduce the oil consumption of certain power plants through enhancing the operating efficiency of the generating units;
- (4) to reduce unit coal consumption through optimising the operational mode of the generating units;
- (5) the economies of scale of centralized coal procurement of the Company is instrumental in reducing procurement costs.



Since the government has adopted the new Administration Provisions Regarding the Collection and Application of Waste Disposal Fee, does the Company have any detailed plan or measures to renovate or modify the existing power plants?

The Company carried out unified planning in accordance with its development plan and the State's environment protection requirements: for the reduction of SO₂ release, we plan to build sulphur reduction facilities in major areas gradually and to increase the ratio of low-sulphur coal as fuel in all our

power plants. To control the release of nitrogen oxide chemicals, the power plants are required to follow strict operation management rules to minimise the release of nitrogen oxide chemicals, and at the same time we will make renovation or modification arrangements of low-nitrogen combustion facilities.

Currently the Company is arranging the construction of the flue gas de-sulphurization facilities for the 2X300MW units of Shantou Coal-fired Power Plant and the 2X300MW units of Taicang Power Plant.



What measures will the Company adopt to improve the performance of the acquired power plants as a whole?

The Company will strengthen its management, further implement the management methods of the Company, and seek synergy in the following aspects:

- To strengthen financial management: examples include sorting out the situation of the power plants in relation to loans, improving loans structure and optimising debt cost.
- To adopt “Status Reparation” system so that the reparation input can have a higher return.
- To strengthen the administration of bidding and contracting in relation to reparation and technology improvement projects to lower the costs.
- The Company will apply to the relevant bodies after the completion of the acquisition to seek favourable tax rates of sino-foreign joint ventures for the power plants wholly owned by the Company.

What is the consideration behind the first-ever move by Huaneng Power to distribute substantial bonus shares?

In the distribution this time, we gave the shareholders RMB0.5 and 1 share to every share he holds (0.5 being bonus share, and 0.5 to be converted from reserve fund). The principal considerations are:

First, to ensure the distribution of a cash dividend will enable shareholders to receive actual benefit. The cash distribution is RMB0.5 / share, accounting for 56% of the profit of the year;

Secondly, to consider the further development of the Company. The assets scale and profit level of the Company have been increasing year by year since its establishment. Taking generation capacity as an example, when the overseas listing of the Company was completed 10 years ago, it had a total issued share capital of 5 billion shares and an equity-based generation capacity of 2,900MW; by the end of 2003, our equity-based generation capacity has reached 15,736MW while the total issued shares has been increased by merely 20% to approximately 6 billion shares. After the issue of bonus shares and implementation of the capital conversion plan, the capital of the Company will increase to match the scale of the Company, which will benefit its business development and increase its market influence.

In summary, our operation guideline is to maximize the interest of the shareholders and make them receive actual return.

What opportunities and challenges does the Company face in year 2004?

In 2004, the Company faces both opportunities and challenges.

In terms of power generation, the continued substantial increase in the demand of power will enable the Company to generate more electricity and hence more profits, but on the other hand the highly charged operation of power generating facilities over a long period of time has brought pressure upon operational safety and stability. It is one of the challenges this year to achieve safe, stable yet full-load operation so to ensure safe power supply.

Coal supply is another challenge the Company will face this year. Since the second half of last year, affected by various factors, the coal supply has been tight and coal prices have been rising. The Company has adopted a series of measures to ensure coal supply. The Company believes that under the correct guidance of the government, suppliers and the purchasers will cooperate to ensure a safe supply of coal to the power industry.

Regarding the power construction aspect, the economic developments and the improvements of people's living standards have created enormous room for market development. This has brought good opportunities for the Company to speed up its developments, but large-scale power construction has brought huge pressure on project management. It is one of the challenges this year to ensure that all work-in-progress projects achieve timely and high-quality operation and construction costs be under control.

