

Year 2005 will mark the beginning of a new era for internationalisation of the Group. We believe that the PRC economy will continue to grow steadily in 2005 and demand for electricity in the PRC will therefore continue to increase. In 2005, it is expected that the gross domestic production of the PRC will increase by approximately 8% and the growth in electricity consumption nationwide will be approximately 12%. Constant shortage in power supply in the PRC will bring new development opportunities to the Group. In 2005, the fuel cost pass-through policy of the NDRC will be implemented. According to such policy, as from 2005, the on-grid tariffs for coal-fired power plants nationwide will increase correspondingly with the increase in coal price. Implementation of such new policy will increase the revenue of the Group, alleviate the pressure on the costs and expenditures of the Group arising from the surge in coal price in the PRC, and stabilize the Group's profitability. In order to expand its market share, the Group will actively seek opportunities in the development, construction, operation and management of large power plants in economically prosperous regions as well as regions with relatively higher potential in economic growth, and will continuously enhance the Group's ability in risk control and sustain development. In 2005, major tasks of the Group will be as follows:

### **1. PRODUCTION AND OPERATION**

We will ensure the safe, stable and efficient operation of our power generation units and various facilities. Assuring safe power supply will be a prime objective for us in 2005.

### **2. TO SEEK OPPORTUNITIES IN ACQUISITIONS AND CAPITAL INJECTIONS**

In 2005, the Company will continue to look for opportunities in acquisitions and capital injections to acquire quality assets in order to accelerate the Group's development and expansion in power generation capacity, and hence deriving a better return to its shareholders.

### **3. COAL SUPPLY**

With respect to fuel management, the rapidly increasing demand for coal within the PRC coupled with the serious shortages in supply of coal contributed to the surging coal price in the PRC. The Group has taken measures to secure coal supply. In 2005, with the implementation of the fuel cost pass-through policy and the continuing high demand in coal in the PRC, the Group has increased the contract coal volume after the coal conference and taken steps to optimize the coal supplier composition and secure higher fulfillment rate from its coal suppliers.

#### 4. TO EXPEDITE THE CONSTRUCTION OF PLANNED POWER PLANTS

Apart from the three power plants under commercial operation, we will continue to expedite the approval process for Pingwei Power Plant II and Yaomeng Power Plant II.

The construction of our three planned power plants, namely, Huanggang Dabieshan Power Plant, Pingwei Power Plant II and Yaomeng Power Plant II is expected to be completed and the operation is expected to commence from 2007 onwards.

In summing up, the Group will orderly perform its tasks on different fronts with a focus on the following missions:

- (1) To further consolidate safe production in order to enhance operating efficiency of the power generation units;
- (2) To enhance our internal control and corporate governance and to optimize our finance and internal control systems;
- (3) To further strengthen business management so as to ensure reasonable and satisfactory return for investors and to accomplish all business plans;
- (4) To optimize capital structure and to establish different funding channels so as to reduce the average capital costs of the Group;
- (5) To actively seek new opportunities in acquiring quality assets so as to increase the asset portfolio of the Group; and
- (6) To expedite the construction of our planned power plants and to strive for completing the approval process for our planned power plant projects.



PEOPLE-ORIENTED AND  
CARE FOR STAFF

