

Investor Relations

INVESTOR RELATIONS WORK IN 2004

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 2004, in line with the businesses of the Company, we disclosed information on the Company in a timely and accurate manner through various means. We were able to ensure that information disclosure and external publicities of the Company complied with the regulatory requirements of various listing places, in order to enable the investors to develop an objective and comprehensive understanding about the Company and the reforms of the power industry as well as to safeguard and enhance the credibility of the Company and its image in the capital markets.

During the year, the Company dispatched dozens of press releases and announcements and held more than a hundred “one to one” meetings for overseas investors through road shows and conferences with the investment

community, 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. The “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 won from the influential *IR Magazine* the awards of “2004 Best Communications during a Takeover or Merger in Asia” and “2004 Best Corporate Governance in China” as well as a nomination to the award of “2004 Best Annual Report”. The Company was also ranked by *Asiamoney* first in “Overall Best Managed Company in China”, first in “Best Strategy and Operational Efficiency of Companies in China”, and second in “Best Focus on Shareholder Value”.





QUESTIONS FREQUENTLY ASKED BY INVESTORS

- It is estimated that there will be an over-supply of power in the national power market in 2007. However, there will be quite a number of newly built power projects of the Company commencing operation in 2006 and 2007. What is the Company's comment on this issue? Will there be any adjustments to the Company's development plan?

According to the national economy development strategy, the economy will keep on booming during the period from 2006 to 2010, and power consumption will increase as a result. Most of the Company's generating units to be put into commercial operation are capacity expansion projects of individual units with large capacity, high efficiency and strong competitiveness. Most of the power projects are located in economically-developed areas and thus benefiting from geographical advantages.

Therefore, we are positive about our power generation projects to be put into commercial operation during the Eleventh Five-year Plan Period. However, we do keep ourselves updated with the market developments and will make necessary adjustments to the progress of our projects in a timely manner. In order to avoid commencing operation in the peak years, we have already made adjustments to the progress of some projects according to the market development and other actual situations, for example, the operation commencement date of Taicang Power Plant Phase II has been put forward to 2005 and 2006 while that of Qinbei Power Plant Phase II has been deferred to 2009.

- **What is the Company's plan regarding its investment structure among coal-fired, hydro-power and natural-gas projects? Will the Company also consider investing in other kinds of energy projects?**

At present, the Company focuses on coal-fired projects, of which the generation capacity represents 97% of the Company's total generation capacity on an equity basis (i.e. 21,418MW), while hydro-power projects represent 3%. In addition, the Company has natural-gas projects under planning. In terms of projects under construction, coal-fired projects represent 87.7% while hydro-power projects represent 12.3%. Regarding projects under planning, coal-fired projects represent 86.2% while hydro-power projects represent 13.8%. The Company considers to increase the proportion of both hydro-power and natural-gas projects in the future.

Currently, investment in power generation projects using resources other than the above have not been considered by the Company. However, the Company will seize every opportunity which is beneficial to the development of the Company and in the interests of the Company and our shareholders.

- **How does the Company control the increase in fuel costs in 2005?**

In order to cope with the downsides brought by the coal market to power generation companies, the Company’s fuel cost strategy for 2005 is summarized as “guaranteeing supply, controlling costs and improving management”, which will be mainly implemented as follows:

- (a) Fully utilizing internal resources and adopting the fuel management model of centralizing procurement, allocation and settlement, in order to rationalize the allocation of resources and the utilization of transportation capacity and to improve the efficiency of resources allocation as well as to lower the overall fuel cost.
- (b) Putting material contracts into performance and increasing the ratio of performed contracts; improving coal quality; strengthening the centralization and coordination of procurement prices, ensuring timely information collection and analysis of the change on coal market prices in various regions and obtaining centralized procurement within the region(s); ensuring timely information collection and analysis of the change on rail and ocean transportation capabilities, with a view to enhancing communication with other enterprises and centralizing allocation of transportation capacities within the Company.
- (c) Continuing close cooperation with large coal suppliers and transportation companies, gradually establishing long-term mechanisms for a stable and continuous coal supply.



- **What is the impact of the commencement of operation of the power market of the northeastern region on the Company?**

The power market of the northeastern region commenced operation on 15 January 2004 by adopting a “dual pricing with full competition” mode. The market has been in trial operation since the end of 2004 after several simulated operations and has held its annual price bidding (without settlement).

At present, the trial operation has been suspended for the purpose of amending and improving the rules of the operation. In the meantime, all the power plants are following the settlement methods used in 2004.

The Company has 3 power plants in the northeastern region, namely Dalian Power Plant, Dandong Power Plant and Yingkou Power Plant with a total of 8 generating units and an aggregate generation capacity of 2,740MW. All

of them are located in the loading centre in Liaoning.

To ensure a fair market environment for the three power plants in Liaoning, the Company will keep itself updated on the changes of the relevant rules and will actively support and participate in the establishment of the power market of the northeastern region. The Company believes that it can optimize its competitive strengths under a fair, reasonable and open market environment.



- **What is the impact on the Company as a result of the operation of the power market of the eastern region?**

According to the "Pilot Scheme for the Power Market of the Eastern Region" (the "Pilot Scheme"), 85% of the power sales will be carried out in the form of annual contracts during the first stage and 15% will be by way of price bidding.

The power market of the eastern region commenced a simulated operation on 18 May 2004. The results revealed that the relevant rules shall be subject to further amendments and modifications.

Currently, the Company has 8 power plants or 22 power generating units with an aggregate generation capacity of 7,140MW, representing 15% of the aggregate capacity of all bidding units in the eastern region. Most of the power plants are located in regions short of power supply such as Jiangsu, Shanghai and Fujian and most of them are located in regional loading centres. Most of the power plants consist of individual units with large-capacity and high-performance, together with small number of employees and high-standard management. Under the centralized management of the Company, these power plants will remain highly competitive in their markets.

Due to the fact that the power market in the eastern region is partly competitive on power sale and the power demand will increase rapidly, this region is estimated to remain in short power supply in the coming two years. Therefore, even in the case of the regional market entering into full operation, there will not be any material impact on the Company.



- **What measures has the Company taken regarding desulfurization?**

Environmental protection is always of great importance among the Company's goals. The Company is among the first few power producers who have adopted environmental protection technology in the construction of power plants. The Company is the first one to set up a power plant with large coal-fired smoke-desulfurized boiler, and to apply dry desulfurization on units with generation capacity of 300MW. Currently, the Company has 4 generating units with its FGD in operation and 2 expanded 300MW units with Fluidized Circulating Bed dry desulfurization facilities being installed and debugged. These are the largest and the most advanced desulfurization tower in the world. All of the newly built generating units have installed desulfurization

facilities, among which desulfurization facilities on the 5 newly built generating units and 4 existing generating units are under construction and desulfurization facilities on 4 newly built generating units are under design and procurement.

The Company has new power generating units with advanced technology and good pollution control. With comparatively strong competitiveness and advantages in environmental protection, the Company has devoted great efforts to installing desulfurization facilities and nitrogen oxide chemicals release reduction facilities. The Company has also made great efforts in applying for refunds of environmental protection fees to plough back into renovation projects, and actively lobbying for the implementation of a linkage system between environmental protection fees and on-grid power tariffs and for a reduction of environmental protection fees.