

# Outlook and Prospects for 2006

2006 is the first year of the Eleventh Five-Year Plan of the PRC, during which the Company will continue to intensify its reforms and speed up its development. The Company will carry out its business amidst hopes and pressure, and opportunities and challenges. The outlook for 2006 is set out below:

The PRC economy is anticipated to continue its steady growth in 2006. It is expected that the annual power generation will increase by approximately 12.1%, while electricity consumption nationwide will increase by approximately 11.8%. Such rapid increase in demand for electricity will open up new opportunities to the business development of the Company.

During 2005, the Company acquired of Shentou I Power Plant to supply power for the Northern China Power Grid. As such, the Group's power supply network extended from the Central China Power Grid and Eastern China Power Grid to Northern China Power Grid, which enhanced its risk resistance and ability for sustainable development.

During 2005, the NDRC implemented the fuel cost pass-through policy, under which the first round of tariff adjustment was carried out in May 2005. Accordingly, satisfactory adjustments were made to the on-grid tariffs of the power plants owned by the Company. Upon implementation of the adjusted tariffs under the policy in 2006, the fuel costs of the Group and its associated company will be compensated to a reasonable extent.

The Group will continue to improve its overall operation management standard, enhance the management of existing assets and enhance its profitability.

The Group will persist in closely monitoring the fuel market with an aim of securing stable fuel supply and exercising effective control over fuel costs and quality.

The Group will also continue to push ahead with the construction of power plants to ensure on-schedule completion and commencement of operation with expected or even better quality.

In addition, the Group will also continue to monitor the power market and be responsive to power pooling in various market segments in the future.

The Group will continue to explore investment opportunities, so as to attain business expansion and boost its profitability and the value for the shareholders.

In order to fulfil social responsibility and for brand building, the Group will continue to have concerns on issues relating to environmental protection and social welfare.



Nevertheless, the business of the Company will face several major difficulties in 2006, namely the impact of substantial increase in power supply arising from newly installed generating units on the utilization rate of equipment, high fuel costs, tightened environmental measures, as well as changes of overall operating environment. All of these may impact the profitability of the Group. In response, the Group will endeavour to improve its management standard and be well-prepared to overcome such unfavourable factors, so as to boost its production and profits as well as achieve enhanced economic efficiency.

The key objectives of the Company for 2006 are as follows:

1. To strengthen strategic and systemic management and achieve rapid growth.
2. To facilitate the growth of the Company by both acquisition and construction.
3. To focus on major issues identified in operation evaluation, improve operating efficiency of assets and maintain its operating results.
4. To enhance the production safety management system and improve the safety and reliability of operation.
5. To reinforce team-building efforts with people-oriented policy.



The Company will closely monitor the power market so as to tackle power pooling in the regional markets in future.

# Optimizing Human Resources and Caring for All Staff

