

## ENVIRONMENTAL PROTECTION CONCEPT

“Providing green energy and serving our community” has always been China Power’s corporate mission. As one of the leading independent power producers in the PRC, we are dedicated to providing economical, clean and reliable power for the society with a view to building up a resource-saving and environmental-friendly enterprise.

The Board and the management of China Power, as always, put great emphasis on environmental protection as well as green energy development and utilization to maintain a harmonious development between the enterprise and the environment. Based on our principle of “less energy consumption, low emission and high efficiency”, we have delivered our environmental conservation standard to our subsidiaries as one of the key criteria determining operation performance. It is also our commitment to upgrade our energy efficiency management and build up the value-added concept for the sustainable development.

## ENVIRONMENTAL PROTECTION MANAGEMENT SYSTEM

The Group has taken the environmental protection merits of the generation units into full consideration from engineering design to operation. Meanwhile, we have also carried out environmental protection management for the entire lifespan of our assets. The Group has standardized our environmental protection projects with an emphasis on pre-emptive measure. We have endeavoured to achieve energy saving and recycling in each production process under the ever-enhancing management benchmark of the entire operation.

In addition to incorporating the existing rules, regulations and standardized system, we have also established a China Power specific environmental protection management system in 2006, covering environmental protection management on risks, code of practice and attitudes of staff, facility management, operating results and etc. Trial operation of the system will be launched and promoted in our subsidiary power plants in 2007. With the establishment of this system, continuous enhancement in corporate environmental protection management will be achieved and our management goals of low pollutant emission, low energy consumption and low environmental risk will be realized.

## ENVIRONMENTAL PROJECTS

Reduction in sewage and air pollutant emission was achieved through a number of our environmental protection and energy saving projects in 2006. In 2007, we will continue our efforts to lower coal consumption of our generation units and elevate environmental protection and energy consumption standards with a series of improvement projects.

### • DESULPHURIZATION PROJECTS

The operation of the desulphurization facilities of Changshu Power Plant’s Unit 3 commenced in October 2006 while the desulphurization project of Unit 4 will be completed by the end of March 2007. The feasibility study report on the construction of the desulphurization facilities of Unit 1 and Unit 2 was submitted for approval.

The construction contracts of the desulphurization facilities of Pingwei Power Plant and Yaomeng Power Plant were entered into by the end of 2006, and the construction will commence in 2007.

The feasibility study report on the construction of the desulphurization facilities of Shentou I Power Plant has been approved and the construction will commence in 2007.

It is expected the national emission standards of flue and gas and sulphur dioxide will be fulfilled, and the desulphurization efficiency will reach at a rate not less than 95% for all the above desulphurization projects.

- **OTHER ENVIRONMENTAL PROTECTION PROJECTS**

The reforestation project of prior ash disposal site of Shentou I Power Plant was completed in 2006, which facilitated a zero ash sluicing water while reducing the emission of pollutant water by approximately 2,000,000 tons.

The feasibility study report on the disposal and recycling project of sewage of Shentou I Power Plant has been approved and its operation will commence in 2007. It is expected that the sewage discharge will be reduced by approximately 13,000,000 tons accordingly.

Ventilation and capacity expansion work and transformation of a low-nitrogen burning system of Changshu Power Plant's Unit 1 will be implemented in 2007. It is expected the project will greatly reduce coal consumption of power generation units as well as emission of nitrogen oxide.

- **DISCHARGE FEE PAYMENT**

For the year 2006, the total discharge fees paid by our power plants, including RMB25,200,000 of Changshu Power Plant, amounted to approximately RMB107,310,000, representing a more significant increase as compared to last year. The increase was mainly attributable to the implementation of new PRC regulations on discharge fees effective from 1 July 2003, and the fact that Shentou I Power Plant has been one of our subsidiaries since the second half of 2005. However, with the implementation of the desulphurization facilities and transformation of a low-nitrogen burning system, the discharge fees of Changshu Power Plant reduced to some extent as compared to last year.

- **PRIVILEGED FUND FROM TREASURY BONDS AND SPECIFIC ENVIRONMENTAL PROTECTION FUND**

The Group and its associated companies have strived for privileged fund from treasury bonds and specific environmental protection fund to implement its environmental protection and enhancement plan in accordance with the relevant environmental conservation requirements of the PRC. Shentou I Power Plant was granted national debts of RMB14,900,000 from the State Development and Reform Committee for sewage control while Changshu Power Plant was granted a specified environmental protection fund of RMB11,600,000 for the construction of desulphurization facilities.

## **REDUCING GREENHOUSE GAS EMISSION**

Global warming has become an increasingly hot issue with international concerns. As a power generation enterprise primarily fuelled by coal, China Power not only keeps close watch on global climate changes, but also takes an active control measures for our impacts on climatic changes. Our exploration and research on the control of greenhouse gas emission, such as sulphur dioxide and nitrogen oxide, have made certain progress and achievements.

We have strived to control matters such as coal consumption and greenhouse gas emission via operating management enhancement and technical upgrades. In 2006, coal consumption used in power generating was decreased by 1.66 grams/kWh as compared to last year while emission of carbon dioxide and nitrogen oxide were decreased by approximately 13,000 tons and 800 tons respectively. In 2007 and 2008, the operation of six of our 600 MW super-critical generation units will be commenced, which will substantially lower the energy consumption level, improve the efficiency of the generation units and effectively reduce emissions of pollutant.