

1. WHAT IS THE COMPANY'S DEVELOPMENT STRATEGY? WILL THE COMPANY CONSIDER EXPLORING NEW MARKETS OF RENEWABLE ENERGY OR NUCLEAR ENERGY? IS THERE ANY PLAN TO ACQUIRE OR DEVELOP HYDRO ELECTRICITY PROJECTS?

Since its IPO, the Company has adopted a clear and well-defined development strategy: to maintain the steady and healthy growth of the Company through acquisition or construction of coal-fired or hydro power plants in the developed coastal areas or areas with abundant resources capitalizing on the strong support of CPI Group/CPI Holding.

The strategic positions and focuses of China Power, CPI Holding and CPI Group are distinctive. CPI Group emphasize its development on the establishment of a large-scale electricity generation production base and an integrated energy assets base, characterized by its focus on the nuclear power development. CPI Holding, on the other hand, undertakes the role of enterprise incubator, with a focus on backing up China Power in the development of coal fired or hydro power plants, developing renewable energy and investing in businesses such as transmission and distribution of electricity.

According to the aforementioned strategic divisions and positioning, and having taken into consideration shareholders' interests and the unique business nature of renewable energy and nuclear power, China Power is keeping an eye on the opportunities of developing renewable energy or embarking on nuclear power generation. However, China Power is currently focusing on developing coal fired or hydro power plants.

2. WITH THE COMMENCEMENT OF THE OPERATION OF MANY NEW GENERATING UNITS, THE SUPPLY AND DEMAND FOR ELECTRICITY IN MAINLAND CHINA HAS BEEN SIGNIFICANTLY IMPROVED AND CERTAIN AREAS ARE EVEN IN FACE OF OVER-SUPPLY. HOW MANY ESTIMATED UTILIZATION HOURS OF ELECTRICITY WILL BE ACHIEVED BY THE COMPANY IN 2007? WHAT MEASURES WILL THE COMPANY TAKE TO DEAL WITH THE OVERSUPPLY?

According to the preliminary statistics by the China Electricity Council, as at the end of 2006, the total installed capacity of China was 622 GW. However, the total installed capacity per capita was less than 0.5 KW, far less than the average of 1 KW for developed countries. For 2006, the electricity consumption per capita of China was less than 2,200 kWh, which was also far less than the world average.

Thus, there is still huge room for long-term development of China's electricity generating capacity. With more units going into productions in the couple of years to come, the supply of electricity will be significantly improved in China and reserve margin will gradually increase to a reasonable level. The utilization rates of power companies will also reduce to a normal level. Based on the current situation, we estimate that the reduction of our utilization rate will be moderate.

We will take the following measures to raise our electricity production: (1) to build up the concept of "Every watt Counts"; (2) to capitalize on low tariff advantage; (3) to properly schedule maintenance and to strengthen production management; (4) to improve the coordination and communication with power grids and despatching authorities; and (5) to adopt an incentive system to promote electricity generation.

3. WHAT IS THE REASON FOR A LOWER THAN AVERAGE TARIFF OF THE POWER PLANTS OF CHINA POWER? WOULD IT AFFECT THE FUTURE DEVELOPMENT OF CHINA POWER?

The average tariff of China Power is lower than that of its peers in the industry. The on-grid tariffs of our three operating power plants are lower than the benchmark tariff for new units in their respective province. In particular, the tariff of Shentou I Power Plant, Pingwei Power Plant and Yaomeng Power Plant is 20%, 10% and 9.4% lower than the provincial benchmark tariffs respectively.

The lower tariff of China Power is a legacy of its predecessors. Pingwei Power Plant, Yaomeng Power Plant and Shentou I Power Plant were cost centers or parts of their local provincial electricity bureaus or provincial electricity companies and did not have their own tariffs. Upon their de-mergers, the government adopted a tariff system for these power plants on the basis of "cost + reasonable profit + tax". As they are mine-mouth power plants and have been in operations for years upon de-merger, the lower tariff reflects their relatively low costs.

In March 2005, the NDRC announced the "Provisional Measures for the Administration of the On-Grid Tariff" which requires the "gradual unification of tariffs of power plants". On such basis, the tariffs of the power plants of the Company had been raised during the last two years and their respective increase was higher than their provincial averages.

Currently, the Chinese Government is promoting the power pooling scheme. The Company believes that its lower tariff will have a competitive advantage which will be reflected in either relatively high utilization hours or favourable tariff adjustment, or both.

4. WHAT IS YOUR VIEW ON THE FUTURE SUPPLY AND PRICE OF COAL? WHAT IS THE PERCENTAGE AND PRICE OF CONTRACTED COAL IN 2007?

In January 2007, the NDRC issued the "Eleventh Five-Year Plan for the Development of Coal Industry". It forecasts that by 2010, the overall annual demand and supply of coal will both reach 2.6 billion tons. It also forecasted that during the period of the "Eleventh Five-Year Plan," output of coal will increase by over 360 million tons. Having considered factors such as the austerity measures, economic reform, technology improvement, energy conservation, improvement in railway transportation, more import and less export of coal, it is estimated that during the period of the "Eleventh Five-Year Plan", the supply and demand of coal will be improved and the price of coal will remain stable.

Due to higher production cost and other factors, there will be a general increase in coal price in 2007 in China. It is expected that the price of coal for power generation will be increased by approximately RMB30 per ton. According to our contracts, the prices of contracted coal increase by RMB10 to RMB35 per ton. The Company estimates that contracted coal accounts for about 85% of the total demand for coal.

The Company will strengthen the management of coal procurement to try to purchase coal of higher quality and to reduce the consumption of coal as well as to minimize the increase of fuel cost.

5. WHAT IS THE TAX RATE FOR CHINA POWER AT PRESENT? HOW WOULD IT AFFECT THE COMPANY IF THE CHINESE GOVERNMENT UNIFORMS THE INCOME TAX FOR DOMESTIC AND FOREIGN ENTERPRISES?

Among the four power plants of China Power under operations, the preferential tax policy of “Two years free and three years half” previously granted to Pingwei Power Plant, Yaomeng Power Plant and Changshu Power Plant expired in 2005. The current income tax rate applicable to foreign investment enterprises engaged in energy, transportation or infrastructures is 15%. Shentou I Power Plant is still enjoying the preferential period of half rate, with the applicable tax rate of 7.5%.

The new Income Tax Act was approved by the PRC government. The Act will provide a 5-year transitional period for the tax benefits enjoyed by established foreign enterprises. In the long run, an increase in applicable tax rate will affect our operation to a certain extent. In the short-to-medium run, however, the impact is expected to be insignificant attributable to the arrangement of the transitional period.

The Company puts great emphasis on how the changes in the income tax policy of the PRC government affect our operations. To minimize the impacts of such tax rate changes on our operations, we will continue strengthening our management and cost control, and capitalizing on the tax benefit policies during the transitional period. On the other hand, our future acquisitions and new projects will take the new income tax policy into account and make appropriate adjustments to our strategies in order to maximize shareholders' value.

6. WHAT IS THE COMPANY'S DIVIDEND POLICY? WOULD IT INCREASE THE DIVIDEND PAYOUT RATIO?

The Company formulates its dividend policy upon having fully taken into account various factors such as our cash flow, development needs and dividend payout ratio of peer groups. China Power's dividend payout ratio in 2005 and 2006 were 37.5% and 41.0%, respectively.

We believe that this dividend payout level is appropriate. From now on, apart from our commitment of a dividend payout ratio of not less than 25%, we will also take the above factors into full consideration when formulating our dividend policy. We have reasons to believe that it is unlikely the dividend payout ratio would decrease in the short-to-medium term.