

ENVIRONMENTAL PROTECTION

During the Eleventh Five-year Plan, the PRC government continuously raises its requirements on environmental protection and has strengthened the management of environmental protection and the State will implement stricter management measures on the emission of pollutants including smoke desulphurization.

ENVIRONMENTAL PROTECTION WORK OF THE COMPANY

Since the establishment of the Company, the Company has been putting a strong emphasis on environmental protection work. The Company maintains its leadership position in resources saving, increasing efficiency and energy saving environmental protection indicators in power generation by putting its priorities on the development of high efficiency, low consumption, large capacity and high parameter generating units and strengthening production operation and cost management.

On the one hand, the Company adopts various measures to control the emissions of dust and sulphur dioxide, such as using high-efficiency electrostatic dust collectors to reduce dust emission; using coal with low sulphide level, applying smoke desulphurization technology and low nitrogen emission combustion devices to reduce the emissions of sulphur dioxide and nitrogen oxides; and equipping waste water treatment facilities in all power plants to treat and dispose waste water according to environmental standards. We have also constructed special dust and residue collection sites to prevent them from polluting the environment.

During the “Eleventh Five-Year Plan” period, the Company will complete the installation of desulfurization facilities for its 47 generating units with a total generating capacity of 15,884 MW in accordance with Responsibility Letter for the Target of Reducing Sulfur Dioxide which was entered into between the Company and the State and the relevant environmental evaluation requirements. The Company’s generating units equipped with desulfurization facilities are supposed to be increased to a level accounting for 77% of the Company’s total operating generation capacity. In order to meet the State’s environmental requirements and ensure power development, the Company will further increase the number of generating units with desulfurization facilities to reach a level accounting for 85% of the Company’s total operating generation capacity. It is the Company’s plan that all of its operating coal-fired generating units will be equipped with desulfurization facilities by 2015. Although the implementation of environmental protection facilities has reduced certain waste disposal fees, in general liabilities and operating costs of the Company will increase in the short term and upon completion of desulphurization renovation, the house consumption rate will increase from 1.0% to 1.5%. Currently the State is gradually implementing the policy on the desulphurization transformation tariff rates for the existing generating units. The Company will enhance the quality of desulphurization works, reduce the period of desulphurization renovation works and cover the increase in operating costs by implementing the desulphurization tariff rates of the existing generating units.

The current policy of the State is to conduct acceptance inspection upon completion of desulphurization renovation of the existing generating units and desulphurization tariff rates will be fixed upon passing the acceptance inspection.

The Company believes that it has already implemented enough measures to control the pollution generated by the Company's facilities. Besides the above measures, all operating power plants have environmental protection offices or specialists to monitor and operate the environmental protection facilities. The environmental protection departments of local governments monitor the amount of waste disposed and calculate waste disposal fees according to the monitoring results.

The Company believes the environmental policy and facilities of its operating power plants and construction projects meet the current requirements of the laws and regulations prescribed by the national and local governments.

WASTE DISPOSAL FEES PAID BY THE COMPANY OVER THE PAST THREE YEARS

With the continued expansion of the Company's operation, the rates of waste disposal fees increased gradually and the waste disposal fees paid by the Company continued to increase in the past three years. The waste disposal fees paid in 2004 amounted to RMB170 million, the waste disposal fees paid in 2005 amounted to RMB377 million and the waste disposal fees paid in 2006 amounted to RMB432 million.

CONTRIBUTION TO SOCIETY

The Company and its staff have been actively launching public welfare activities, including charity donations (including money and goods), Helping the Poor donations (including money and goods) and Hope Project donations (including money and goods). The Company also organized its employees to engage in voluntary tree-planting activities, such as "Helping the Poor" and "Hope Project", trying its best to help people living in poor and rural areas of China, in order to fulfill its social obligations and to contribute to building a harmonious society.

In 2006, the staff of Company and its power plants actively participated in disaster relief and Helping the Poor activities and donated RMB5,304,000 for the reconstruction of disaster areas, construction works in poor villages and construction of primary schools.