

# Report of the Supervisory Committee

## To: All Shareholders

During this reporting period, all members of the Supervisory Committee, aiming at protecting the interest of the shareholders and the benefit of the Company, have performed their supervisory functions in accordance with the Company Law of the People's Republic of China ("Company Law"), the relevant provisions in the Articles of Association of the Company and relevant laws and regulations. By following the principle of acting honestly and in good faith, the Supervisory Committee has carried out its work diligently. The Supervisory Committee has also conducted review on the operational situation and financial position of the Company for 2002 and the performance of duties of the senior management of the Company. On behalf of the Supervisory Committee of the Company, I am pleased to submit the working report as follows:

## I. Working Report of the Supervisory Committee for 2002

During the reporting period, the Supervisory Committee has held four meetings. Details of the time, venue, attendance and contents of the meeting are as follows:

1. On 12th March 2002, the fourth meeting of the third session of the Supervisory Committee was held in Beijing. All three members of the Supervisory Committee attended the meeting. At the meeting, the Working Report of the Company's Supervisory Committee for 2001, the audited financial statement of the Company for 2001, the Company's budget for 2002, the Company's profit distribution plan for 2001, the Company's profit distribution policy for 2002 and the annual report of the Company of 2001, together with its extract were discussed and approved.
2. On 7th August 2002, the fifth meeting of the third session of the Supervisory Committee was convened in Beijing. All three members of the Supervisory Committee attended the meeting. The Company's interim report of 2002 and its extract were discussed and approved at the meeting.
3. On 5th November 2002, the sixth meeting of the session of the Supervisory Committee was held in Beijing. All three members of the Supervisory Committee attended the meeting. The resolutions in relation to the amendments to the Articles of Association of the Company and change of session of Company's Supervisory Committee were discussed and approved.
4. On 23rd December 2002, the first meeting of the fourth session of the Supervisory Committee was held in Beijing. All seven members of the Supervisory Committee attended the meeting. The resolution regarding the election of the chairman and vice-chairman of the fourth session of the Supervisory Committee of the Company was discussed and approved.

During the reporting period, the Supervisors of the Company attended all meetings of the Company's board of directors, the annual general meeting of 2001 and those three extraordinary general meetings in 2002. At such meetings, all members of the Supervisory Committee conducted careful review and supervision on the lawful operation of the Company.

## **II. Independent Opinions of the Supervisory Committee on the Relevant Matters of the Company in 2002**

### **1. Lawful Operation of the Company**

The Supervisory Committee performed effective supervision on the procedures for convening the shareholders' meeting and board meetings, adoption of resolutions, implementation of the resolutions of the shareholders' meeting by the Board of Directors, performance of duties of the senior management of the Company and internal management system of the Company according to the relevant laws and regulations.

The Supervisory Committee is of the view that the Board of Directors is capable of conducting standardised operation in strict compliance with the Company Law, the Securities Law, the Articles of Association of the Company and the relevant regulations and systems and members of the Board of Directors have performed dutifully and diligently and their decisions are scientific and reasonable. The management systems of the Company are effective and the business activities of the Company are lawful. When examining the financial conditions of the Company and supervising the performance of duties by the directors and senior management personnel of the Company, it was found that their behaviour has not contravened any relevant laws and regulations and has not caused any damage to the interests of the shareholders.

### **2. Examining the Financial Conditions of the Company**

The Supervisory Committee has carefully examined and verified various materials to be submitted by the Board of Directors to the annual general meeting for consideration, including the working report of the board of directors for 2002, financial reports of the Company for 2002, profit distribution proposal of the Company for 2002 and the 2002 financial statements audited by the auditors inside and outside the PRC for which unqualified opinions are issued.

The Supervisory Committee is of the view that the financial reports of the Company for 2002 are true and reliable and objectively reflect the financial positions and operating results of the Company. The Supervisory Committee agreed to the auditors' report issued by the Company's auditors and the profit distribution proposal of the Company for 2002.

# Report of the Supervisory Committee

## **3. Use of the Funds Raised by the Company**

The recent fund raising by the Company was the issue of A Shares in November, 2001 raising a total of Rmb2.7825 billion. The Company is strictly complying with the undertaking in the A Share prospectus and the proceeds from the A Share issue will be used to repay the Company's borrowings. At at 1st January 2002, the unused proceeds were Rmb1.165 billion and all of them were applied to repay the due debt in the first half of 2002. The Supervisory Committee is of the view that the proceeds from the recent fund raising of the Company are used in the same items as those undertaken in the prospectus.

## **4. Transactions relating to Acquisition and Disposal of Assets**

During this reporting period, the Company has not conducted any transaction relating to acquisition or disposal of assets. No insider transactions have been found and there are no conditions damaging the interests of shareholders or causing asset loss of the Company.

In order to strengthen its competitiveness, the Company has completed a number of acquisitions of good quality generation assets during the reporting period. The Supervisory Committee is of the view that during the reporting period, the consideration paid by the Company for the acquisitions was reasonable, and was in the interest of the Company and all of its shareholders.

## **5. Fairness of the Connected Transactions**

During the reporting period, the connected transactions of the Company are fair and reasonable and there are no conditions detrimental to the interests of the Company.

## **6. Implementation of the Resolutions of the Shareholders' Meeting**

During this reporting period, all members of the Supervisory Committee participated in all board meetings of the Company and attended four shareholders' meetings. The Supervisory Committee does not have any objection to the reports and proposals submitted by the Board of Directors to the shareholders' meetings. The Supervisory Committee conducted careful supervision on the implementation of the resolutions adopted at the shareholders' meetings. The Supervisory Committee is of the view that the Board of Directors is capable of seriously performing the resolutions adopted at the shareholders' meetings.

The Supervisory Committee will continue to live up to the shareholders' expectations in the forthcoming year and as usual will work hard to safeguard the interests of the Company and its shareholders and act in strict compliance with the Company Law and the relevant provisions of the Articles of Association of the Company for the purpose of regulating its operation. The Supervisory Committee will perform its supervisory functions according to law, act on the basis of honesty and credibility, enhance its supervision strength and continue to work hard.

I hereby report as above.

By Order of the Supervisory Committee

**Wei Yunpeng**

*Chairman of the Supervisory Committee*

11th March 2003