

Corporate Governance

It is specified in the Articles of Association of Beijing Datang Power that the General Meeting shall be the supreme authority of the Company and that the Board of Directors and the Supervisory Committee shall be accountable to the General Meeting, while the President shall be accountable to the Board of Directors. The powers and obligations of the shareholders and the General Meeting, the Directors and the Board of Directors, the Supervisors and the Supervisory Committee and the Company's President have also been specified in the Articles of Association. Over the years, the Company has sought to regulate its organisation and activities of the Company as well as the rights and obligations between the Company and the shareholders and among shareholders in accordance with the Articles of Association, resulting in a gradual improvement in governance structure and smooth progress and development of its operation and management.

I. Shareholders and the General Meeting

On top of pursuing business expansion to secure sound economic benefits for shareholders, the Company has also made major efforts towards the provision of timely and accurate information on the Company's operation and management to shareholders through various means. Annual General Meetings are convened each year as required to determine the operating principles and investment plans of the Company; elect and replace Directors and Supervisors, review the work of the Board of Directors and the Supervisory Committee; and review the annual financial budgets, final accounts and profit distribution proposals of the Company. Annual and interim results and reports are published every year to provide details on the Company's operations and the Directors and to address the concerns of shareholders and investors. Relevant information in respect of major decisions made by the Board of Directors and the Board's implementation of resolutions made by the General Meetings are published for shareholders' information on a periodic basis in accordance with the Listing Rules. The Company has also set up a department with dedicated staff to receive visitors, and to answer telephone enquiries at any time, as long as it complies with the regulations concerned, through published contact numbers. Meanwhile, a corporate website has also been launched where information on the Company such as latest updates, track records and management organisation could be found, with a view to giving shareholders and investors a comprehensive understanding of the Company's operations.

II. The Board of Directors

The Company's Board of Directors currently consists of 14 Directors, including 4 Executive Directors, 8 Non-executive Directors and 2 Independent Directors, among whom are technical or management experts in power generation, financial experts and scholars.

It is specified in the Articles of Association that the duties of the Directors shall be to determine the business plans and investment proposals of the Company; to formulate its annual financial budgets and final accounts, profit distribution proposals and proposals for making up losses; to determine the setting up of the Company's internal management organisation; and to lay down the Company's basic management system. In 2003, the Board of Directors convened 9 meetings (including board meetings in writing) and reviewed 39 proposals.

As of now, all Directors have been honouring their duties and obligations as directors with full dedication to procuring steady development of the Company's business and establishing and protecting the Company's fine reputation.

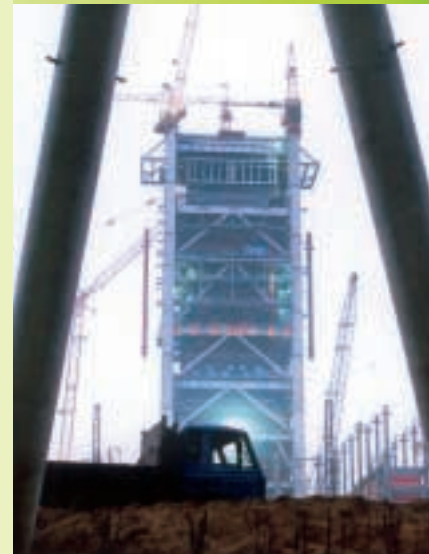
III. The Supervisory Committee

The Company's Supervisory Committee is formed by three members, including two shareholder representatives and one staff representative. The shareholder representatives are subject to election and removal by the General Meeting. The staff representative is subject to election and removal by staff through democratic means. The Directors, the President and the Financial Controller of the Company may not act concurrently as Supervisors.

Being accountable to the General Meeting, the Supervisory Committee performs its duties in accordance with the law to: inspect the finance of the Company; exercise supervision in respect of any violations of the law, administration regulations or the Articles of Association by the Directors, the President and other senior management officers of the Company in the discharge of their duties; and verify financial information to be submitted to the General Meeting by the Board of Directors such as financial reports and profit distribution proposals. By attending the Board of Directors meetings, the Supervisors are informed of the bases on which decisions of the Board of Directors are made and whether such bases are fair on a concurrent basis. The Supervisors also attend meetings of the Audit Committee of the Board of Directors to exercise joint supervision of the Company's internal decision-making procedures and to audit the performance and accountabilities of the auditors.

IV. The Audit Committee

An Audit Committee has been set up under the Board of Directors of the Company to assist the Board of Director in internal controls and financial management. During 2003, the Audit Committee convened two meetings to conduct conscientious audit of the Company's interim and annual results and related financial matters, as well as assessment of the auditors' work.



V. The President and the Management

Being accountable to the Board of Directors, the Company's President is responsible for coordinating the work of the senior management and other staff of the Company in the implementation of the Board of Directors' decisions.

The Company published the Working Rules in 2003 to specify the Company's internal work procedures, the duties of the management and the manner in which significant management decisions should be made, in a bid to enhance scientific operation by systematising and standardising the Company's internal procedures. The President's Office convenes meetings to study production and operation management as well as coordinate the implementation of the Board's decisions. The major agenda of the meetings are: (1) to formulate the Company's annual operation plans and their implementation; (2) to study the Company's development strategy, medium- to long-term planning and capital operation plans; (3) to formulate proposals for major investment and financing plans; (4) to study major construction projects and significant issues relating to power generation and operation; (5) to formulate the Company's basic management system and rules and regulations; (6) to establish and adjust the Company's internal management systems and mechanisms as well as its internal departments; and (7) to study significant issues in the Company's auditing.

As provided by the Work Rules, the President's Office convenes meetings at least once a week to procure timely solutions to issues arising from the Company's daily operation.

VI. Special Committees

The Company has set up a number of special committees to assist the President in decision-making and complete various specific tasks in the Company's operations. Currently the Company has 26 special committees, including:

The Budget Management Committee: The Committee is responsible for proposing annual expenditure budgets of the Company, cost-control measures and budget adjustments. The President and the Financial Controller of the Company act as the Director and the Deputy Director, respectively, of the Budget Management Committee, while other committee members comprise senior management staff and the heads of various financial departments. A Budget Preparation and Review Task Group has been set up under the Budget Management Committee, comprising the heads of various departments of the Company.

The Safe Production Committee: Safe production has always been emphasised as the cornerstone to power generation, and the prime responsibility for safe production rests with the President. This Committee assists the President to make proposals relating to overall safety in the Company's operations, including safety for production, infrastructure, equipment and personal safety. The President acts as the Director of the Committee, which comprises the Vice President responsible for safe production and the heads of various departments.

The Steering Group for Fuel Supply: Responsible for assisting the President in the coordination of fuel supply, maintaining communications with coal mines and rail operators and making proposals relating to fuel allocation.

The Steering Group for Energy Conservation: Responsible for assisting the President to coordinate the Company's energy conservation initiatives, setting major annual energy consumption benchmarks, as well as reviewing and supervising the implementation of energy conservation planning and measures.

The Steering Group for Reliability Management: Responsible for studying and formulating the Company's reliability management objectives; establishing the corporate reliability management system; formulating rules and regulation for reliability management; organising training and technical exchange programmes for professional technical staff responsible for reliability management; and conducting appraisals of reliability benchmarks.

The Steering Group for Power Project Design, Construction and Tendering: Responsible for coordinating the designs and tenders of the construction projects under the Company's operating units and providing overall supervision of the entire process of calling for and selection of tenders.

The Steering Group for Power Equipment Tendering: Responsible for coordinating power equipment tenders for construction and production projects under the Company's operating units and providing overall supervision of the entire process of calling for and selection of tenders.

VII. Internal Audit

The Company set up the Inspection and Audit Department in 2003 as a dedicated department for internal audit, the main duties of which are to conduct internal audit of the Company and its subsidiaries and majority-owned companies to ensure compliance with laws and regulations, resolutions and other rules and regulations; to handle reports of fraud and complaints; to conduct investigation in respect of material cases; and to conduct appraisals, check violations and monitor operational efficiency.

Pursuant to the Company's internal audit system, all senior management staff of the Company's subsidiaries and majority-owned companies must be subject to relevant business audit upon their departure from office to indicate their performance and whether there has been any significant negligence.

VIII. Credentials

Our open and transparent management and our thoughtful and truthful service to our shareholders have won praises from shareholders and the investment community at large. In 2003, the Company won numerous awards from *Euromoney*, *Finance Asia*, *Asiamoney* and *CFO*, including Best Corporate Governance in China, Best Company Management in China, Best Investor Relations, Best in Financial Management and Best Annual Report in China. The Company ranked among China's Top 100 Listed Companies named by *Fortune*. It is particularly noteworthy that in early 2004, the Company was named the Best Company in China for the Year by *The Banker*, an affiliate publication of *Financial Times*. As the only PRC company to have received this honour, Beijing Datang Power is well rated by the adjudication committee for the award, who notes that "In the process of China's power industry restructuring, Beijing Datang Power aspired to become not the largest, but the most efficient and competitive company in China... Beijing Datang Power has differentiated itself from others by its well-defined strategies, professional management, excellent investor relations and transparency in operation. These characteristics have already won for the Company numerous international awards in the past."

