



Expanding Our Operations,  
Growing Our Profits —  
Committed to Enhancing Shareholder Return.



## << Corporate Governance

**The Company will adopt optimisation of the interests of the Company and its shareholders as the starting point to govern the Company in a stringent, scientific and regulated manner, and treat all shareholders equally in order to ensure the long-term and steadily increasing return for the shareholders.**

As a public company listed in three places inside and outside the PRC, the Company is under the governance of the securities regulatory authorities of the three places where its shares are listed and under the oversight of the investors. Accordingly, the Company will uphold the principles of a synergic legal person governance structure by striking balances and checks between power of decision-making, supervision and operation rights. Honesty and trustworthiness, compliance with the law, and regulated operation according to the law are the basic operational guidelines of the Company. Prior to the promulgation of the relevant regulations of the State's securities regulatory authority, the Company took the lead in appointing two Independent Directors and established a management committee, a technology committee and a finance committee under the Board of Directors. At the same time, the Company also formulated a comprehensive management system involving various areas including administration, legal affairs, information, planning, construction, production, operation, foreign affairs, business affairs, finance, securities, personnel, monitoring and auditing in order to ensure the Company to operate in a regulated and proper manner. In 2002, the Company amended and included certain new clauses in its Articles of Association according to the requirements and stipulations of the State's relevant regulations, including the Standards for Governance of Listed Companies, and made adjustments to the composition of the Board of Directors and the Supervisory Committee of the Company. The number of members of the Board of Directors was changed from 19 to 12. All vice presidents of the Company will no longer hold the posts of directors of the Company. The Company has taken in certain personnel with more extensive management experience in the power industry to join the Board of Directors, in particular an expert with professional accounting knowledge has joined the Board of Directors as an Independent Director. Accordingly, the number of Independent Directors in the Board of Directors now amounts to four, representing one-third of the members of the Board of Directors, which is in compliance with the requirements of the relevant regulations and the amended Articles of Association. The number of members of the Supervisory Committee was changed from three to seven by adding four shareholder representatives. The management committee, technology committee and finance committee under the Board of Directors were remodelled to Strategy Committee, Audit Committee, Nomination Committee and Remuneration and Appraisal Committee. Except for the Strategy Committee, the majority of members of the other three committees were Independent Directors who hold the posts of chairmen.



Through adjustments, the Board of Directors and the Supervisory Committee of the Company have met the requirements of the relevant laws and regulations to a greater extent in terms of scale and personnel composition, thus enabling the Board of Directors to make effective, scientific and prompt decisions and the Supervisory Committee to exercise independent and effective supervision and inspection powers upon the directors, presidents and other senior management and upon the finance matters of the Company. The establishment and regulated operation of the four special committees under the Board of Directors will also be conducive to bringing about a highly effective operation and scientific decision-making process of the Board of Directors.

In 2003, the Company formulated and passed the Rules and Procedures for Shareholders' Meetings, the Rules and Procedures for the Board of Directors Meetings, the Rules and Procedures for the Supervisory Committee Meetings, the Detailed Rules on the Work of the President, the Detailed Rules on the Work of the Strategy Committee of the Board of Directors, the Detailed Rules on the Work of the Audit Committee of the Board of Directors, the Detailed Rules on the Work of the Remuneration and Appraisal Committee of the Board of Directors, the Detailed Rules on the Work of the Nomination Committee of the Board of Directors and the Measures on the Management of Investor Relations. The Board discussed and passed the proposal on the amendments to the Articles of Association. The Audit Committee of the Board of Directors of the Company has held various seminars on the financial management issues encountered by the Company during the course of operation and sought scientific resolutions. At the same time, the Board of Directors of the Company strengthened the liaison with regulatory bodies including Beijing Securities Management Authority, and successfully completed various reports including "Investigation on Shareholdings of Insiders of Listed Companies" and "Investigation on the Appointment of Independent Directors", thereby further enhancing the governance level of the Company.

In 2004, the Company will further improve its corporate governance according to the laws and regulations imposed by the securities regulatory authorities of the three places where the shares of the Company are listed. The Company will improve the working conditions of the Independent Directors by installing personal e-mail boxes for all the Independent Directors and disclosing the same to the public in order to ensure clear communication channels between the Independent Directors and all kinds of investors. The Company will enhance its internal control system in all aspects and establish a scientific and practical internal control mechanism. At the same time, the Company will actively proceed to establish transparent procedures for election and appointment of directors in accordance with the requirements of the relevant laws and regulations and the actual situation of the Company, and will implement a cumulative voting system when circumstances permit.

## DUTIES OF THE SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

Duties of the Strategy Committee of the Board of Directors: mainly responsible for conducting studies on long-term development strategies, important policy-making on investment and important policy-making on technology, and putting forward proposals to the Board of Directors.

Duties of the Nomination Committee of the Board of Directors: mainly responsible for conducting studies on the standards and procedures for the election of candidates of directors and senior management personnel of the Company according to the requirements of the operation and management of the Company and putting forward proposals to the Board of Directors; searching for qualified candidates of directors and senior management personnel on a broad basis; conducting examination on the candidates of directors and senior management personnel and putting forward proposals.

Duties of the Audit Committee of the Board of Directors: mainly responsible for the communication, supervision and verification of the internal and external auditing of the Company.

Duties of the Remuneration and Appraisal Committee of the Board of Directors: mainly responsible for conducting studies on the appraisal standards for directors and senior management personnel of the Company, conducting appraisal and putting forward proposals; responsible for conducting studies and inspection of the remuneration policies and proposals for directors and senior management personnel of the Company, and shall be accountable to the Board of Directors.

## COMPOSITION OF THE SPECIAL COMMITTEES OF THE BOARD OF DIRECTORS

Strategy Committee:

Li Xiaopeng (chairman), Zheng Jianchao (vice-chairman), Wang Xiaosong, Ye Daji, Huang Jinkai, Liu Jinlong, Qian Zhongwei (members).

Audit Committee:

Xia Donglin (chairman), Wang Xiaosong, Shan Qunying, Zheng Jianchao, Qian Zhongwei (members).

Nomination Committee:

Qian Zhongwei (chairman), Huang Jinkai, Yang Shengming, Gao Zongze, Zheng Jianchao (members).

Remuneration and Appraisal Committee:

Gao Zongze (chairman), Liu Jinlong, Xu Zujian, Zheng Jianchao, Xia Donglin (members).

All financial reports disclosed to the public by the Company have been examined and passed by the Audit Committee of the Board of Directors of the Company, and discussed and approved by the Board of Directors of the Company. All non-executive directors of the Company conscientiously perform their duties and diligently perform their duties through the Board of Directors in order to seek optimisation of shareholders' interests.

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## PERFORMANCE OF DUTIES BY THE INDEPENDENT DIRECTORS

The Independent Directors of the Company attended or appointed proxies to attend all board meetings in 2003, and expressed independent opinions on the appointment of senior management personnel and important matters including connected transactions. The Independent Directors of the Company have independently, honestly and diligently performed their duties according to the relevant laws and regulations and the powers conferred by the Articles of Association, and have indeed fulfilled their function of protecting the interests of shareholders, particularly medium and small shareholders.

