

It is specified in the Articles of Association that the general meeting of the Company (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 of the Company shall be accountable to the Board of Directors. The powers and obligations of the shareholders and the General Meeting, the directors of the Company (the “Directors”) and the Board of Directors, the supervisors of the Company (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 its shareholders and among shareholders in accordance with the Articles of Association, resulting in a gradual improvement in the corporate 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 its shareholders, the Company has also made major efforts towards the provision of timely and accurate information on the Company’s operation and management to its shareholders through various means. Annual General Meetings of the Company are convened each year as required to determine the business directions and investment plans of the

Company; to elect and replace Directors and Supervisors; to review the work of the Board of Directors and the Supervisory Committee; and to 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 on the situation of the directors, and to address the concerns of its shareholders and investors. Relevant information in respect of the major decisions made by the Board of Directors, the convening of General Meetings and resolutions passed thereat, and the Board of Directors’ implementation of resolutions made at the General Meetings are published for shareholders’ information on a periodic basis in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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, through published contact telephone numbers. Meanwhile, a corporate website has also been established where information on the Company such as the 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 fifth session of the Board of Directors began its work since 1st July 2004. The Board of Directors currently consists of 15 Directors, including two executive Directors, eight non-



executive Directors and five independent non-executive Directors. Independent non-executive Directors represent one third of the Board of Directors. Among the Directors, 6 are new members and 9 are re-elected members. The Board of Directors comprises technical or management experts in power generation, financial experts and scholars. Each of the Directors is experienced and open-minded.

It is specified in the Articles of Association that the duties of the Board of Directors shall be to determine the business plans and investment proposals of the Company; to determine its annual financial budgets, final accounts, profit distribution proposals and proposals for making up losses; to decide upon the setting up of the Company's internal management organisation; and to lay down the Company's basic management system. During the Year, the Board of Directors convened six meetings (including board meetings in writing) and reviewed 25 proposals.

During the Year, all Directors have faithfully discharged their duties and obligations as directors with full dedication to procuring steady growth of the Company and establishing and protecting the fine reputation of the Company.



III. The Supervisory Committee

The fifth session of the Supervisory Committee began its work since 1st July 2004. The Supervisory Committee is formed by four members, including three shareholder representatives and one staff representative. In accordance with the Articles of Association, the shareholder representatives are subject to election and disposition at the General Meeting; and the staff representative is subject to election and disposition by staff through democratic means. The Directors, the President and the financial controller of the Company may not act concurrently as Supervisors.

Accountable to the General Meeting, the Supervisory Committee performs its duties in accordance with the law: to inspect the finance of the Company; to 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; to require the aforesaid people to rectify the same when their behaviours do harm to the interests of the Company; to verify financial information submitted to the General Meeting by the Board of Directors such as financial reports, operation reports and profit distribution proposals; to propose to convene extraordinary general meetings; and to raise dispute, or any prosecutions thereof, with any Directors on behalf of the Company.



During the Year, the Supervisory Committee convened two meetings and reviewed the annual report and the interim report as well as the financial position of the Company. By attending all the meetings of the Board of Directors in 2004, the Supervisors were informed of the bases on which decisions of the Board of Directors were made and whether such bases were fair. The Supervisors also attended meetings of the audit committee to exercise joint supervision over the Company's internal decision-making procedures and to audit the performance and accountabilities of the auditors.

IV. Special Committees under the Board of Directors

During the Year, the Board of Directors adjusted the composition of members in the audit committee due to the change of members of the Board of Directors, and set up the strategy and investment committee and the remuneration and appraisal committee.

1. The Audit Committee

After adjustment, the committee consists of five Directors (used to be three) as follows, in which independent non-executive Directors are in the majority:

Convener: Yu Changchun
(Independent non-executive Director)

Members: Xu Daping
(Independent non-executive Director)
Xia Qing
(Independent non-executive Director)
Guan Tiangang
(Non-executive Director)
Ye Yonghui
(Non-executive Director)

Among them: Yu Changchun, is a financial management expert

Other Directors, Supervisors, chief financial officer, other senior management members and external auditors of the Company were also invited to attend the Audit Committee meetings. The committee is responsible for submitting proposals on hiring or changing the external auditors; supervising the internal auditing system of the Company and its implementation; communication between the internal and external audit parties; auditing the financial information of the Company and the disclosure thereof; and auditing the internal control system. During the Year, 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 careful assessment of the auditors' work.

2. Strategy and Investment Committee

The committee consists of seven Directors as follows:

Convener: Xie Songlin
(Independent non-executive Director)

Members: Liu Chao'an
(Independent non-executive Director)
Zhang Yi (Executive Director)
Kou Bing'en (Non-executive Director)
Liu Haixia (Non-executive Director)
Su Tiegang (Non-executive Director)
Tong Yunshang (Non-executive Director)

The committee is mainly responsible for the study of and making proposal for long-term development strategies and important investment decisions. The committee will formally begin its work in 2005.



3. Remuneration and Appraisal Committee

The committee consists of five Directors as follows, in which independent non-executive Directors are in the majority:

Convener:	Liu Chao'an (Independent non-executive Director)
Members:	Xu Daping (Independent non-executive director)
	Xia Qing (Independent non-executive Director)
	Hu Shengmu (Non-executive Director)
	Yang Hongming (Executive Director)

The committee is mainly responsible for developing the appraisal benchmarks for the Directors and managerial staff of the Company; carrying out appraisals and giving proposals therefrom; studying and evaluating the remuneration policies and solutions for Directors and senior managerial staff of the Company. The committee will formally begin its work in 2005.

V. The President and the Management

Accountable to the Board of Directors, the President of the Company is responsible for organising 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 promote rationalisation, systematisation and

standardisation of the Company's various operations. The duties of the President are clearly specified in the Articles of Association. The President's Office convenes meetings to study production and operation management as well as to coordinate the implementation of the Board of Directors' 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 strategies, 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.

During the Year, the President's Office convened meetings about once a week to procure timely solutions to issues arising from the Company's daily operation.

VI. Specialist Committees

The Company has set up a number of specialist committees to assist the President of the Company to determine and complete various specialist tasks in the operations of the Company. Currently the Company has 26 specialist 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 head of financial department. 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 of the Company. This committee assists the President of the Company to make proposals relating to overall safety in operations, including safety for production, infrastructure and equipment as well as personal safety. The President of the Company acts as the director of the Safe Production Committee, while other member comprise the Company's Vice President responsible for safe production and the heads of various departments;

The Steering Group for Fuel Supply: Responsible for assisting the President of the Company in the management of fuel supply, coordinating the logistical relationships with coal mines and rail operators and making proposals relating to fuel allocation;

The Steering Group for Energy Saving: Responsible for assisting the President of the Company to coordinate the Company's energy saving initiatives, setting major annual energy consumption benchmarks, as well as reviewing



and supervising the implementation of energy saving plans and measures;

The Steering Group for Reliability Management: Responsible for studying and formulating the Company's reliability management objectives; formulating a system of rules and regulations to enhance the Company's 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 for the construction projects of the Company's operating units and providing overall supervision over the entire process of calling for and selection of tenders; and

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



VII. Internal Audit

The Company has set up the inspection and audit department as a dedicated department for internal audit, of which the main duties are to conduct internal audit of the Company; to supervise upon its subsidiaries and affiliated companies in respect of their auditing work and their compliance with the law, regulations, resolutions and other regulatory systems; 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.

VIII. Credentials

Our management and growth have won praises from the investment community. In 2004, the Company won an award from Euromoney for the award of “Best Corporate Governance in China”. The Company ranked among “The China 100” named by Fortune. It is particularly noteworthy that in early 2004, the Company’s Chairman Zhai Ruoyu was named “China CEO of the Year” by the joint appraisal of CNBC Asia, TNT Asia and CBN. It’s the first time that a Chinese listed company won such an award from nominations for the best business leaders in Asia.



Talents •

Maximising Our Potentials.



In 2005, the Company will continue to put effort in training. When formulating education and training policies and plans, we aim to satisfy the need of sustainable development at Datang Power, with raising the operation standards as our basic requirement.
