





Active Pursuit of  
*Nuclear Power,*  
*Wind Power*

Expand the Realms of  
Generation Technology

Apart from an active pursuit of hydropower and coal-fired projects, the Company has also stepped up the development of nuclear power and wind power generation. The Company entered into an investment agreement with Guangdong Nuclear Power Investment Company Limited, which proposed to participate in the construction of two nuclear power generation units of 1,000 MW each. The Company has launched studies for the development of renewable energy such as wind power, so as to expand the realms of power generation technology of the Company, and to gear up fully for rapid, sustainable development through the utilisation of new resources and new technologies.

# Corporate Governance Report

The Company persists in striving for the best interest for its shareholders, employees and the society as a whole. The Company is of the view that effective corporate governance system can improve the sense of responsibility and transparency of the senior management. In the long run, it ensures the relevant policy making is in the interest of the Company and Shareholders as a whole. The Company applied the principles in the Code on Corporate Governance Practices (the “Code”) in various aspects of its corporate governance system in 2005 which was reflected in various internal rules and corporate governance practices of the Company.

During 2005, the Company has strictly complied with the requirements of the code provisions of the Code (“Code Provisions”) as set out in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) (save as deviations from the requirements of Code Provisions A.4.2) . The Company hereby provides its summarised report on its corporate governance in 2005 with reference to the Code as follows.

## A. DIRECTORS

### A.1 The Board of Directors

#### Principles of the Code

*The board of directors of the Company (the “Board”) should assume responsibility for leadership and control of the issuer and be collectively responsible for directing and supervising the issuer’s affairs.*

Pursuant to the Company’s articles of association (the “Articles of Association”), major duties of the Board include: determining the business plans and investment proposals of the Company, formulating its capital addition and reduction plans, formulating its proposal on the amendments to the Articles of Association and merger and demerger schemes, determining its annual financial budgets, final accounts, profit distribution proposals and proposals for making up losses, deciding upon the setting up of the Company’s internal management organisation and laying down the Company’s fundamental management system.

The Board comprises 15 directors (the “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.

During the Year, the Board held seven meetings. The attendance by the Directors (in person or in proxy by other Directors) was 100%.

## Code Provisions and Practices of the Company

Main content of the Code Provisions	Governance practices of Datang Power																																				
<p>Board meetings should be held at least four times a year.</p>	<p>In 2005, the Board held seven meetings. Details of the attendance percentages of the Directors were as follows:</p> <table border="1"> <thead> <tr> <th data-bbox="858 782 1161 847">Executive Directors</th> <th data-bbox="1161 782 1375 847">Attendance percentage (%)</th> </tr> </thead> <tbody> <tr> <td data-bbox="858 890 1161 922">Zhang Yi</td> <td data-bbox="1161 890 1375 922">100</td> </tr> <tr> <td data-bbox="858 933 1161 965">Yang Hongming</td> <td data-bbox="1161 933 1375 965">100</td> </tr> <tr> <td colspan="2" data-bbox="858 998 1161 1030"><b>Non-executive Directors</b></td> </tr> <tr> <td data-bbox="858 1041 1161 1073">Zhai Ruoyu</td> <td data-bbox="1161 1041 1375 1073">100</td> </tr> <tr> <td data-bbox="858 1084 1161 1116">Hu Shengmu</td> <td data-bbox="1161 1084 1375 1116">100</td> </tr> <tr> <td data-bbox="858 1127 1161 1159">Fang Qinghai</td> <td data-bbox="1161 1127 1375 1159">100</td> </tr> <tr> <td data-bbox="858 1170 1161 1203">Liu Haixia</td> <td data-bbox="1161 1170 1375 1203">100</td> </tr> <tr> <td data-bbox="858 1213 1161 1246">Guan Tiangang</td> <td data-bbox="1161 1213 1375 1246">100</td> </tr> <tr> <td data-bbox="858 1256 1161 1289">Su Tiegang</td> <td data-bbox="1161 1256 1375 1289">100</td> </tr> <tr> <td data-bbox="858 1300 1161 1332">Ye Yonghui</td> <td data-bbox="1161 1300 1375 1332">100</td> </tr> <tr> <td data-bbox="858 1343 1161 1375">Tong Yunshang</td> <td data-bbox="1161 1343 1375 1375">100</td> </tr> <tr> <td colspan="2" data-bbox="858 1407 1161 1440"><b>Independent non-executive Directors</b></td> </tr> <tr> <td data-bbox="858 1450 1161 1483">Xie Songlin</td> <td data-bbox="1161 1450 1375 1483">100</td> </tr> <tr> <td data-bbox="858 1494 1161 1526">Xu Daping</td> <td data-bbox="1161 1494 1375 1526">100</td> </tr> <tr> <td data-bbox="858 1537 1161 1569">Yu Changchun</td> <td data-bbox="1161 1537 1375 1569">100</td> </tr> <tr> <td data-bbox="858 1580 1161 1612">Liu Chaoan</td> <td data-bbox="1161 1580 1375 1612">100</td> </tr> <tr> <td data-bbox="858 1623 1161 1655">Xia Qing</td> <td data-bbox="1161 1623 1375 1655">100</td> </tr> </tbody> </table>	Executive Directors	Attendance percentage (%)	Zhang Yi	100	Yang Hongming	100	<b>Non-executive Directors</b>		Zhai Ruoyu	100	Hu Shengmu	100	Fang Qinghai	100	Liu Haixia	100	Guan Tiangang	100	Su Tiegang	100	Ye Yonghui	100	Tong Yunshang	100	<b>Independent non-executive Directors</b>		Xie Songlin	100	Xu Daping	100	Yu Changchun	100	Liu Chaoan	100	Xia Qing	100
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<p>All directors are given an opportunity to include matters in the agenda for regular board meetings.</p>	<p>The secretary of the Board of the Company (the "Company Secretary") usually sought opinions from the relevant Director(s) before the agenda for each meetings was determined, so as to confirm whether there were any matters to be included in the agenda.</p>																																				

Main content of the Code Provisions	Governance practices of Datang Power
<p>Notice of at least 14 days should be given of a regular board meeting.</p>	<p>Notice of at least 14 days was given to all Directors for regular meetings. For other forms of Board meeting, notice with reasonable time was given by the Company.</p>
<p>All directors should have access to the advice and services of the company secretary.</p>	<p>All Directors maintained communication with the Company Secretary and had access to the services of the Company Secretary, while the Company Secretary has ensured the operations of the Board would comply with procedures.</p>
<p>Minutes of Board meetings should be kept by the company secretary and such minutes should be open for inspection.</p>	<p>The Company Secretary was responsible for compiling the minutes of Board meetings and Board committee meetings. These minutes were normally signed for confirmation by the Directors attending the meetings on the dates for such meetings, and were kept by the Company for inspection by the Directors at any time.</p>
<p>Draft and final versions of minutes of board meetings should be sent to all directors for their comment and records respectively, in both cases within a reasonable time.</p>	<p>The fees for consulting the opinion of independent professional body on the issue as required by the Director(s) should be paid by the Company.</p>
<p>There should be a procedure agreed to enable directors to seek independent professional advice at the listed issuer's expense.</p>	<p>The Company would illustrate in advance any issue that any Director or substantial shareholder would abstain from voting. The person concerned would thus not vote at such Board meeting.</p>
<p>If a substantial shareholder or a director has a conflict of interest in a matter to be considered material, a board meeting should be held, and the director who has a conflict of interest must abstain from voting and shall not be counted in the quorum present at such board meeting.</p>	<p>The fees for consulting the opinion of independent professional body on the issue as required by the Director(s) should be paid by the Company.</p>

## A.2 Chairman and Chief Executive Officer

### Principles of the Code

*There should be a clear division of the responsibilities between the chairman and the chief executive officer so as to ensure a balance of power and authority.*

The positions of Chairman (chairman of the Board) and President of the Company are held by different persons respectively. It is expressly provided in the Articles of Association of the Company the power of the Chairman and the President. The main duties of the Chairman includes presiding over the general meetings, convening and presiding over Board meetings and reviewing the status of the implementation of the Board's resolutions. The main duties of the President include: (1) take charge of the production and operation management of the

Company, and coordinate the implementation of the Board resolutions ; (2) coordinate the implementation of the Company's annual operation plans and investment proposals; (3) formulate the Company's internal management systems; (4) lay down the Company's fundamental management system; (5) formulate the fundamental constitution of the Company; (6) propose the appointment or dismissal of the deputy managers and person in charge of finance; (7) appoint or dismiss other officers in charge that are not appointed or removed by the Board.

The operation and management as well as the daily business of the Company was responsible by the Board and the President respectively, thereby the governance structure is satisfied by sound division of work and clarity in obligations.

### Code Provisions and Practices of the Company

#### Main content of the Code Provisions

The roles of chairman and chief executive officer should be separate and clearly established and set out in writing.

The chairman should ensure that all directors are properly briefed on issues arising at board meetings.

The chairman should ensure that the directors receive adequate information, which must also be complete and reliable.

#### Governance practices of Datang Power

Positions of the Company's chairman of the Board and President of the Board are held by Mr. Zhai Ruoyu and Mr. Zhang Yi, respectively. The duties of chairman of the Board and President of the Board are expressly stated in the Articles of Association of the Company, respectively.

Any issue for the Board meetings should be supported by materials in writing before the meetings were convened, and was adequately explained by the chairman or other Director(s) in respect of its contents at the meeting.

**A.3 Board Composition**

**Principles of the Code**

*The Board should have a balance of skills and experience appropriate for the requirements of the business of the issuer. The Board should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that it can effectively exercise independent judgment.*

Members of the Board are equipped with various experience, ability, expertise and judgment (see the profiles of the members of the Board as set out in this annual report for details) appropriate for the Board of the Company. Among the members of the Board,

two are executive Directors; eight are non-executive Directors and five are independent non-executive Directors.

Directors of the Company consists of experts in power-related technics and management, experts in finance and scholars. Each of them has extensive experience and is intelligent and open-minded. Independent non-executive Directors account for one third of the Board, which enables the Board to make independent judgment effectively. Non-executive Directors (including independent non-executive Directors) are the majority of the Board, each of them has their own expertise, and is capable of making relevant decisions objectively and professionally.

**Code Provisions and Practices of the Company**

Main content of the Code Provisions	Governance practices of Datang Power
The independent non-executive directors should be expressly identified in all corporate communications.	The correspondence released by the Company from time to time contained the Directors' names including the names of independent non-executive Directors.



## A.4 Appointments, Re-election and Removal

### Principles of the Code

*There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for succession for such appointments.*

It is provided in the Articles of Association of the Company that Directors are elected and removed by general meetings of the Company with each term of appointment not exceeding three years and are eligible for re-election and re-appointment. The Board has yet to set up a nomination committee. Any change to the composition of the Board will be initiated through the Board, for which the Board will

publish biographies of candidates recommended before the general meetings of the Company on the basis of recommendations of the Directors and/or shareholders and a review of the candidates' experience, so that all shareholders will be fully aware of the background of the candidates and exercise the power of the shareholders to elect the Directors. The Company will make announcements and provide reasons when Director resigns from their office.

During the Year, with respect to the change of members of Directors, the Board held one meeting. All 15 Directors (their names are set out in p.35 of this annual report) participated in the resolutions.

### Code Provisions and Practices of the Company

#### Main content of the Code Provisions

Non-executive directors should be appointed for a specific term, subject to re-election and re-appointment.

All directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment.

Every director should be subject to retirement by rotation at least once every three years.

#### Governance practices of Datang Power

It is provided in the Articles of Association that the term of appointment for the Directors (including non-executive Directors) will not be more than three years and will be eligible for re-election and re-appointment.

Any Directors proposed to be appointed to fill a vacancy shall be elected by shareholders at the first general meeting of the Company.

The Company is of the view that the Company's Directors being re-elected and re-appointed as the Company's Directors at the general meeting is in the interest of maintaining continuity of the existing operating measures and policies, so the Articles of Association has not expressly provided that the Directors would retire in rotation once every three years.



## A.5 Responsibilities of Directors

### Principles of the Code

*All directors (including non-executive directors) are required to keep abreast of their responsibilities as a director of an issuer and of the conduct, business activities and development of that issuer.*

The Articles of Association clearly set out the responsibilities and powers of the Board and Directors. Once a new Director is appointed at the general meeting, the Company will

arrange relevant training for that Director so as to equip him or her with the understanding of his or her responsibilities as a Director (especially the responsibility for integrity and responsibility for his or her manner being exercised with necessary prudent attitude and skills) and the statutory requirements concerned. In day-to-day business, Directors may communicate with the Company's management at any time to understand the Company's operation. The management duly reports to the Board the Company's form of operation, condition and business development in writing every half year.

### Code Provisions and Practices of the Company

#### Main content of the Code Provisions

Every new director should receive a comprehensive and formal induction to ensure that he/she has a proper understanding of the operations and business of the issuer and that he/she is fully aware of his/her responsibilities under the Listing Rules, applicable regulatory requirements and the business and governance policies.

#### Governance practices of Datang Power

After a new Director was appointed, the Company would timely arrange training for the Director concerned, the content of which should include Director's responsibilities and other statutory requirements.

**Main content of the Code Provisions**

Functions of non-executive directors should include the following:

- exercising independent judgments in Board meetings;
- taking the lead where potential conflicts of interests arise;
- serving on committees of the board, if invited; and
- scrutinizing the issuer's performance.

Directors should ensure that they can give sufficient time to the affairs of the issuer.

Directors must comply with their obligations under the Model Code set out in Appendix 10.

**Governance practices of Datang Power**

Non-executive Directors of the Company are members of specialist committees of the Board. They can exercise independent, objective and professional judgments on issues of Board meetings, the Company's performance and issues of specialist committees based on their know-how and experience.

The attendance percentage of Directors attending meetings in 2005 could demonstrate that Directors spent sufficient time on business of the Company.

Each of the Company's Directors is definitely clear about the requirements set out in Appendix 10, and is definitely aware that the Company adopts Appendix 10 as the Code for securities trading manners to be carried out by the Directors. During the year 2005, having made specific enquiries to each of the Directors, the Company confirms that Directors of the Company complied with the Model Code for securities transactions as set out in Appendix 10.

**A6. Supply of and Access to Information**

**Principles of the Code**

*Directors should be provided in a timely manner with appropriate information as will enable them to make an informed decision and to discharge their duties and responsibilities.*

It is provided in the Articles of Association that, all information on the Board meetings must be

sent to the Directors at least three days in advance. In order to facilitate the Directors on a better understanding of the matters to be discussed, the complete, reliable and relevant information is usually provided by the Company five days in advance. The Company’s management or its experts are available to address the Directors’ inquiries at any time.

**Code Provisions and Practices of the Company**

Main content of the Code Provisions	Governance practices of Datang Power
<p>Board papers should be sent to all directors at least three days before the intended date of a Board or Board committees meeting.</p>	<p>Board papers were usually sent to the Directors five days before intended date of Board meetings or specialist committees meetings.</p>
<p>The directors, individually and separately, should have access to the senior management.</p>	<p>The Directors and the senior management of the Company could access each other at any time.</p>
<p>Directors are entitled to have access to Board papers. Where queries are raised by directors, steps must be taken to respond as promptly and fully as possible.</p>	<p>Directors and members of specialist committees could access to papers and meeting minutes of the Board and specialist committees.</p>

## B. REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

### B1. The Level and Make-up of Remuneration and Disclosure

#### Principles of the Code

*There should be a formal and transparent procedure for setting policy on executive directors' remuneration and for fixing the remuneration packages for all directors.*

During the Year, the remuneration of the executive Directors and senior management of the Company was determined by the salary scale system in which the position salary forms the main component. Remuneration by position as the major remuneration system. The annual remuneration for each non-executive Director was determined by the salary scale system as provided and paid by their respective affiliating entities.

The Remuneration and Appraisal Committee (the "Committee") under the Board was established in 2004. Its major duties include: to examine the criteria for the appraisal of Directors and managers, to conduct the appraisal and make recommendations, to

examine and review the remuneration policy and plans of the Directors and senior management. (As the Company did not enter into service contracts with the executive Directors, thus the duties of the committee did not include the approval of the terms for the service contracts of the executive Directors.) In March 2006, the Committee convened a meeting and reviewed the performance and level of remuneration for the executive Directors and senior management of the Company in 2005. The composition and level of remuneration were disclosed in this annual report. The attendance by the members at the meetings was as follows:

	<b>Attendance percentage</b>
<b>Convenor:</b>	
Liu Chaoan (Independent non-executive Director)	100%
<b>Members:</b>	
Xu Daping (Independent non-executive Director)	100%
Xia Qing (Independent non-executive Director)	100%
Hu Shengmu (Non-executive Director)	100%
Yang Hongming (Executive Director)	100%

**Code Provisions and Practices of the Company**

Main content of the Code Provisions	Governance practices of Datang Power
<p>The specific written terms of reference for the issuer’s remuneration committee (including minimum requirements of certain duties) must be available for inspection or published on the website.</p>	<p>The Remuneration and Appraisal Committee (the “Committee”) under the Board was established in 2004, comprising of five Directors. Among whom a majority of members are independent Directors. The duties of the Committee have been published in the Company’s annual report and available for inspection at the Company’s website <a href="http://www.dtpower.com">www.dtpower.com</a></p>
<p>The remuneration committee should consult the chairman and/or chief executive officer about their proposals relating to the remuneration of other executive directors and have access to professional advice if considered necessary.</p>	<p>The Committee communicated with the Company’s Chairman and President regarding the Directors’ remuneration. In March 2006, a meeting was held by the Committee in which the performance and level of remuneration of the Company’s executive Directors and senior management were reviewed and enquired. Details on the remuneration of the relevant personnel were published in this annual report.</p>
<p>The remuneration committee should be provided with sufficient resources to discharge its duties.</p>	<p>The Committee is entitled to resources and assistance from the Company to support their duties. The Committee obtained the 2005 remuneration principles and remuneration composition of executive Directors and senior management from the Company’s human resource department and was satisfied with the performance of executive Directors and senior management in 2005.</p>

## C. ACCOUNTABILITY AND AUDIT

### C1. Financial Reporting

#### Principles of the Code

*The Board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects.*

The Board of the Company received comprehensive reports from the management in respect of production and operation of the Company every half year and annually, so as to understand and appraise the Company's performance and condition. Mr. Zhang Yi, President of the Company and Mr. Yang

Hongming, Vice President of the Company (both of whom were executive Directors) received and analysed in details the production condition and operation performance of the Company on a quarterly basis, and reported the results to the Directors at the Board meeting with relevant information provided.

In the Company's annual report and interim report, the Company has included the contents of the "Management Discussion and Analysis" section, including a comprehensive review and analysis of the Company's production, operation and business expansion; a comprehensive analysis of the Company's financial position ; and measures taken to achieve the operation targets by the Company and so forth.

#### Code Provisions and Practices of the Company

##### Main content of the Code Provisions

Management should provide such explanation and information to the Board as will enable the Board to make an informed assessment.

The directors should acknowledge their responsibility for preparing the accounts, and there should be a statement by the auditors about their reporting responsibilities in the auditors' report.

##### Governance practices of Datang Power

Management of the Company reported to the Board every half year on the operation plan and provided a comprehensive report on the update information, operation targets, plans and action of each business segment during the period.

The Company's Directors confirm their responsibilities of compiling financial statement.

The Auditors' Report stated the reporting responsibility of the auditor.

**Code Provisions and Practices of the Company**

Main content of the Code Provisions	Governance practices of Datang Power
<p>The Board’s responsibility to present a balanced, clear and understandable assessment extends to annual or interim reports, other price-sensitive announcements and other financial disclosures required under the Listing Rules and statutory requirements.</p>	<p>Various announcements, circulars to shareholders and interim/annual report published by the Board have given a comprehensive and easy-to-understand description on the condition and prospects of the Company or subsidiaries as well as matters relating to enquiries by Hong Kong Stock Exchange or relevant transactions.</p>

**C2. Internal controls**

**Principles of the Code**

*The Board should ensure that the issuer maintains sound and effective internal controls to safeguard the shareholders’ investment and the issuer’s assets.*

The Board put strong emphasis on risk management and strengthening internal controls. In respect of organizational structure, the Company has established the **Development and Strategy Committee** in addition to the Audit Committee of the Board. The Development and Strategy Committee comprises seven directors with major duties of evaluating and giving advice to the Board in respect of investment matters. The Company has established several specialist committees within the Company, including:

**The Budget Management Committee:** The committee is responsible for proposing expenditure budgets of the Company, budget control measures and budget adjustments.

President, Mr. Zhang Yi (the Company’s executive Director) and the financial controller of the Company act as Director and Deputy Director, respectively, of the Budget Management Committee.

**The Safe Production Committee:** Responsible for assisting the President of the Company to make proposals relating to overall safety in operations.

**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 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.

**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.

**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.

#### Code Provisions and Practices of the Company

##### Main content of the Code Provisions

The directors should at least annually review the effectiveness of the system of internal control.

##### Governance practices of Datang Power

The Audit Committee, which was formed by independent non-executive Directors and non-executive Directors of the Company, convened meetings twice a year. The Company Secretary and chief financial manager of the Company would be present at the meetings, and were responsible for explaining internal control process and related significant events of the Company. Having reviewed and examined the Company's procedure of internal control in 2005, the Board confirmed that such procedure is effective.

### C3. The Audit Committee

#### Principles of the Code

*The Audit Committee should have clear terms of reference, which shall include how it will apply the financial reporting and internal control principles to identify and manage the possible risks faced by the Group.*

The Audit Committee under the Board comprises five Directors, of whom a majority are independent Directors. The Directors admitted that they have the responsibility of compiling accounts, and the Audit Committee provides assistance to the Directors in this respect.

Major duties of the Audit Committee include: supervising the Company's internal audit system and its implementation; facilitating the communication between internal and external audit parties; reviewing the Company's financial information and term disclosure; reviewing the Company's internal control system and proposing the appointment or replacement of external audit firms. The Company's directors, supervisors, chief financial manager, other senior management members as well as external auditors of the Company are invited to attend the Audit Committee meetings. During 2005, the Audit Committee convened two meetings. Conscientious audit of the Company's interim and annual results and related financial matters was conducted and the Company's internal control system were conducted and the

auditors' work was assessed. The Audit Committee considered that the Company's internal control systems were in place with remarkable results of internal control system and have effectively controlled the production and operation risks of the Company.

During the Year, the attendance by the members of the Audit Committee was as follow:

	<b>Attendance percentage</b>
<b>Convenor:</b>	
Yu Changchun (Independent non-executive Director, financial management expert)	100%
<b>Members:</b>	
Xu Daping (Independent non-executive Director)	100%
Xia Qing (Independent non-executive Director)	100%
Ye Yonghui (Non-executive Director)	100%
Guan Tiangang (Non-executive Director)	100%

During the Year, the auditing service fee payable to PricewaterhouseCoopers, the auditor, by the Company amounted to RMB6,000,000; and the non-auditing service fee amounted to RMB200,000. Such non-auditing services included scrutinising vote-taking at general meeting of the Company and general training service.

## Code Provisions and Practices of the Company

### Main content of the Code Provisions

Minutes of meetings shall be kept by a duly appointed secretary of the meeting and should be sent to all members of the committee within a reasonable time after the meeting.

A former partner of the existing auditing firm should be prohibited from acting as a member of the audit committee.

The audit committee should make available its terms of reference (including certain minimum requirements regarding its delegation) on request and by including the information at the Company's website.

Where the Board disagrees with the audit committee's view on the appointment, resignation or dismissal of the external auditors, the committee should disclose a statement explaining its recommendation.

The audit committee should be provided with sufficient resources to discharge its duties.

### Governance practices of Datang Power

Minutes of the meetings were prepared by the Company Secretary. These minutes normally were signed for confirmation by the Directors attending the meeting on the date for such meetings.

All members of the Audit Committee are Directors and none of them was a former partner of the Company's auditors.

All duties could be reviewed in the Company's annual report or at the following website [www.dtpower.com](http://www.dtpower.com). The duties include the requirements of the relevant Code Provisions.

The Audit Committee recommended to the Board to re-appoint PricewaterhouseCoopers as the Company's Auditors for 2006 but was subject to shareholders' approval at the annual general meeting of 2005. In 2005, the Audit Committee and the Board had no disagreements on all recommendations in respect of the Audit Committee.

The Audit Committee was entitled to resources and assistance from the Company to make easier their duties, and was entitled to seek independent professional advice in accordance with the Company's procedures at the Company's expense.

## D. DELEGATION BY THE BOARD

### D1. Management Functions of the Board

#### Principles of the Code

*An issuer should have a formal schedule of matters specifically reserved to the Board for its decision. The Board should give clear directions to management as to the matters that must be approved by the Board before decisions are made on behalf of the issuer.*

#### Code Provisions and Practices of the Company

Main content of the Code Provisions	Governance practices of Datang Power
<p>The Board must give clear directions as to the powers of management, in particular, with respect to the circumstances where management should obtain prior approval from the Board.</p> <p>An issuer should formalize and disclose the functions reserved to the Board and those delegated to management.</p>	<p>It is clearly provided in the Articles of Association of the Company that the following matters shall be decided by the Board:</p> <p>Decision on the business plans and investment proposals of the Company; formulation of the capital addition and reduction plans, proposal on the amendments to the Articles of Association, merger and demerger proposals of the Company, annual financial budgets, final accounts, profit distribution proposals and proposals for making up losses, the setting up of the Company's internal management organisation and formulation of the Company's fundamental management system.</p> <p>Among which, formulation of the Company's capital addition and reduction plans, formulation of its proposal on the amendments to the Articles of Association and formulation of the Company's merger and demerger proposals must be approved by at least two-third of all Directors, and others by at least half.</p> <p>The power and obligations of the Company's management is set out in section A.2 regarding responsibilities of the President.</p>

It is provided in the Articles of Association of the Company the duties of the Board and the President. The committees under the Board and each internal functional department of the Company have their respective distinct responsibilities. As regard to the duties of the Board, it is expressly provided in the Articles of Association matters which require approval of the majority of the Directors and those require approval from over two-third of the Directors.

## D.2 Board Committees

### Principles of the Codes

*Board committees should be formed with specific written terms of reference which deal clearly with the committees' authority and duties.*

The Company has three specialist committees including the Audit Committee, the Strategy and Investment Committee and the Remuneration and Appraisal Committee. All committees governed by the Board have clear terms of reference. All matters discussed by committees shall be reported to the Board when appropriate. Each committee's duties are set out in this report respectively.

### Code Provisions and Practices of the Company

#### Main content of the Code Provisions

The board should prescribe clear terms of reference to enable such committees to discharge their functions properly.

The terms of reference of Board committees should require such committees to report back to the board on their decisions.

#### Governance practices of Datang Power

The Board has set up three committees: the Audit Committee, the Strategy and Investment Committee and the Remuneration and Appraisal Committee.

Clear obligations were listed in the detailed working regulations of all committees, which set out clearly its respective scope of duties, that committees shall report to the Board their discussion results.

## E. COMMUNICATION WITH SHAREHOLDERS

### E.1 Effective Communication with Shareholders

#### Principles of the Codes

*The Board should endeavour to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.*

Pursuant to the provisions of the Articles of Association and the relevant laws and requirements of the Listing Rules, the Company disclosed the relevant information that needed to be considered and approved

at shareholders' meetings before annual general meetings or extraordinary general meetings, and directly and actively invited shareholders to attend the meetings through effective communication and giving public-wide notices.

In accordance with the Articles of Association, the Company's notices of general meetings were printed and issued to all shareholders 45 days before the holding of meetings with the matters to be considered and approved highlighted therein. The annual reports and circulars which contained detailed information were printed and issued to shareholders more than 21 days before the holding of meetings which was earlier than the statutory requirement.

#### Code Provisions and Practices of the Company

Main content of the Code Provisions	Governance practices of Datang Power
<p>In respect of each substantially separate issue, a separate resolution should be proposed by the chairman of the Board.</p>	<p>The Company's general meetings were presided over by the Chairman, at which each substantially separate issue, including the election and appointment of Directors, would be proposed with a separate resolution.</p>
<p>The chairman of the Board should attend the annual general meeting and arrange for the chairmen of the audit, remuneration and nomination committees to be present at the meeting.</p>	<p>The Chairman, as the chairman of the annual general meeting of 2005, attended the meeting, and at least the Company's executive Directors and conveners of committees under the Board will be arranged to be present at the meeting.</p>

## E.2 Voting by Poll

### Principles of the Code

*The issuer should regularly inform shareholders of the procedure for voting by poll and ensure compliance with the requirements about voting by poll contained in the Listing Rules and the constitutional documents of the issuer.*

The conditions for voting by hands or by poll at general meetings are provided in the Articles of Association. Items to be voted by poll as required by the Listing Rules would be specifically described by the Board in the information to its shareholders.

### Code Provisions and Practices of the Company

Main content of the Code Provisions	Governance practices of Datang Power
<p>The circulars for general meetings should disclose the procedures for and the rights of shareholders to demand a poll.</p>	<p>The procedure for voting by poll was expressly provided in notices or circulars to shareholders and explained again at the meeting.</p>
<p>The issuer should ensure that votes cast are properly counted and recorded.</p>	<p>For issues to be voted by poll, external auditor or representative of share registrar is appointed as scrutineer.</p>
<p>The chairman of a meeting should at the commencement of the meeting adequately explain the procedure for voting by poll.</p>	<p>For resolutions which need to be voted by poll, the chairman of the meeting will provide complete explanation at the time of commencement of the meeting. The results of the voting by poll will be published in newspapers and at the website of the Hong Kong Stock Exchange on the first business day after the general meeting.</p>