

# Report of the Supervisory Committee



During 2006, in accordance with the Company Law of the PRC (the “Company Law”), the Articles of Association and the relevant requirements as stipulated in the Listing Rules of the Hong Kong Stock Exchange, members of the Company’s Supervisory Committee conscientiously exercised their monitoring duty in compliance

with the fiduciary principle to protect the rights of the shareholders of the Company and the interests of the Company.

During the reporting period, the Supervisory Committee held two meetings. The quorum at each meeting was in compliance with the relevant requirements as stipulated by the Company Law and the Articles of Association. On 23 March 2006, the fourth meeting of the fifth session of the Supervisory Committee was convened, at which the 2005 work report of the Supervisory Committee, the 2005 results announcement of the Company, the 2005 financial report, the 2006 budget proposal and the 2005 profit distribution plan were considered and approved. On 29 August 2006, the fifth meeting of the fifth session of Supervisory Committee was convened, considering and approving the 2006 interim results. The Supervisory Committee attended the 2005 annual general meeting and the 2006 extraordinary general meetings, as well as four Board meetings and two Audit Committee meetings.

In 2006, the Board conscientiously implemented the various resolutions approved at the 2005 annual general meeting and the 2006 extraordinary general meetings. All decisions of the Company were carried out in lawful procedures. The Board and senior management of the Company have carried out their duties faithfully and diligently, and conscientiously discharged their responsibilities. No breaches against the State laws, regulations or the Articles of Association were found, nor were there any actions damaging to the Company’s interests. The Board and senior management of the Company strengthened production safety management of the power plants operated by the Company, and enforced regulated operation in accordance with the Articles of Association and the internal management system, as well as materialised the diversified development strategy. The Company achieved encouraging operating results, reporting net assets of RMB90,711 million, an operating revenue of RMB24,835 million, a net profit of RMB2,778 million, and earnings per share of RMB0.54.

During 2006, the Supervisory Committee has examined the financial system and the financial position of the Company, with the conclusion that no material omissions of false presentations in the financial accounting of the Company and that the operating results of the Company were encouraging. The new Accounting Standards for

Enterprises which took effect on 1 January 2007 were first adopted within the scope of listed companies. In order to ensure a smooth adoption of the new Accounting Standards, the management of the Company put much emphasis on organising the financial staff of the Company to participate in relevant training programmes, in order to make sufficiently preparation for the smooth transition of the Company’s financial work towards the new Accounting Standards. The Supervisory Committee was engaged in the inspection of the 2005 annual results and the 2006 interim results, as well as reviewing the auditors’ report and furnishing reasonable recommendations to the auditors’ work. The Supervisory Committee also offered opinions and recommendations on the production operations and financial management of the Company and its Subsidiaries.

On 13 December 2006, the Company completed the issue of 500 million A shares and the shares were listed on the Shanghai Stock Exchange on 20 December 2006. Net proceeds amounted to RMB3,279 million. As at 31 December 2006, the proceeds were not utilised and no improper utilisation of the proceeds was found as at the date of the report.

The connected transactions engaged by the Company during the Year complied with normal commercial terms. Such transactions complied with the requirements of the State laws, regulations and the Articles of Association, while the information disclosure and related obligations were timely and thoroughly fulfilled in accordance with the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. and PricewaterhouseCoopers (Certified Public Accountants, Hong Kong) have issued auditors’ reports with unqualified opinions for the Company in accordance with the PRC GAAP and International Accounting Standards, respectively. The Supervisory Committee was of the view that the auditors’ reports truthfully and objectively reflected the financial position and operating results of the Company and validation was given to the relevant elaborations provided by the accountants.

In 2007, members of the Supervisory Committee will further study the State’s relevant administrative rules on listed companies and will enhance their understanding of the new Accounting Standards. The Supervisory Committee will continue to strictly comply with the requirements as stipulated by the relevant State laws and regulations, faithfully fulfill its monitoring duty in accordance with the Articles of Association and continuously upgrading the work quality of the Supervisory Committee.

By Order of the Supervisory Committee  
**Zhang Jie**  
Chairman of the Supervisory Committee

30 March 2007