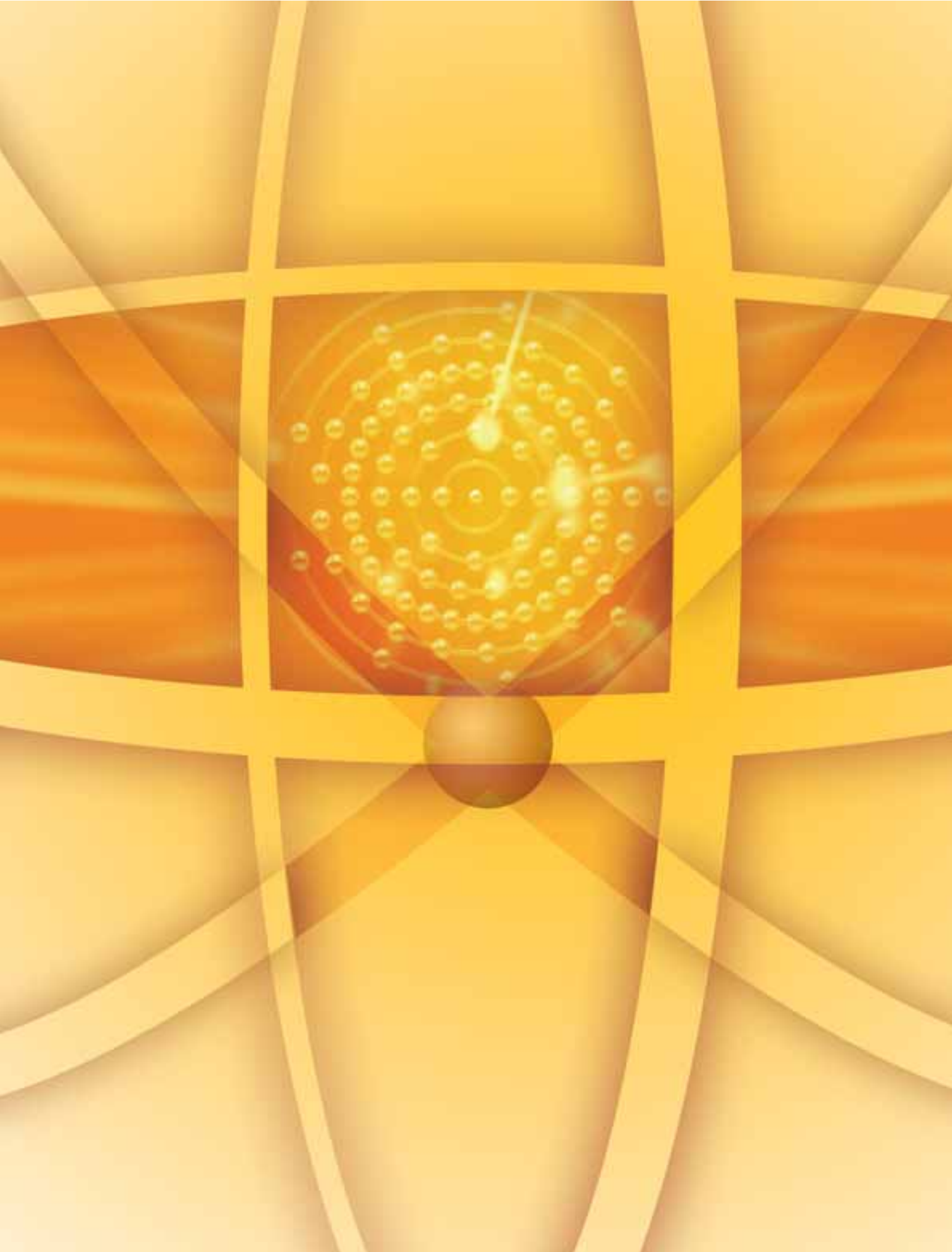


Adequately Develop **Nuclear** *Broaden Generation Structure*

Datang Power's nuclear power generation units (installed capacity: 4,000MW) in the Ningde region of Fujian Province commenced construction in February 2008. Looking ahead, the Company will continue to actively study and introduce innovative power generation technology to allow the Company to advance with time and broaden the Company's power generation structure, thereby achieving sustainable development for the Company.





Corporate Governance Report



During 2007, the Company fully complied with the principles as set out in the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) and reached or even exceeded the best recommended practices in the Code on Corporate Governance Practices in certain aspects. The corporate governance condition of the Company is hereby reported as follows:

1. Shareholders and General Meeting

For years, apart from committing itself to the operation and expansion of its businesses in order to attain appropriate returns for shareholders, the Company also provides details on the Company’s operations management and relevant information to shareholders in a timely and accurate manner through a variety of channels and methods, including: convening and holding general meetings in strict compliance with the Company’s articles of

association (the “Articles of Association”), Listing Rules and relevant regulations stipulated by Securities and Futures Commission (the “SFC”), and timely announcing relevant information to shareholders on an irregular basis according to the stipulations of the Listing Rules. During the reporting period, the Company held a total of three general meetings and a professional lawyer was invited to each general meeting as a witness to ensure all shareholders were treated equally and exercised their rights adequately.

The Company has also established specific divisions to assign specific staff to handle relevant work and receive visitors, with contact numbers published to answer phone enquiries at any time. In addition, the Company’s website has been set up to provide updates and past results on the Company, as well as the management organisation of the Company, so as to facilitate a comprehensive understanding of the Company by shareholders and investors.



2. Directors and the Board

Pursuant to the Articles of Association, major duties of the board of directors of the Company (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 plans 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.

Pursuant to the Articles of Association, the Board comprises 15 directors (the "Directors"). The new session of the Board was formed in July 2007 and the sixth session of the Board currently has 14 Directors, including four independent Directors. Another independent Director remains to be nominated.

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. Directors of the Company consist of experts in power-related technics and management, experts in finance and scholars. Each of them has extensive experience, being intelligent and open-minded.

The Directors fully understood their responsibilities, powers and obligations, and managed to discharge their duties with truthfulness, fiduciary and diligence. In order to enhance the decision-making mechanism, increase the scientific nature of decision-making and improve the quality of substantial decisions, the Board has established three specialised committees, namely Audit Committee, the Strategy and Development Committee and Remuneration and Appraisal Committee, with detailed working rules devised for the respective committees.

During the reporting period, the Board held 12 meetings, of which 5 were non-written correspondence Board meetings. The convention and voting procedures complied with the regulations stipulated by the Articles of Association and the "Rules of Proceedings for Board Meetings". The attendance of the Directors (in person or by proxy) was 100%.

Executive Directors		Non-executive Directors		Independent Non-executive Directors	
	Attendance (%)		Attendance (%)		Attendance (%)
Zhang Yi	100	Zhai Ruoyu (Chairman)	100	Xie Songlin	100
Zhou Gang	100	Hu Shengmu	100	Yu Changchun	100
		Fang Qinghai	100	Liu Chaoan	100
		Liu Haixia	100	Xia Qing	100
		Guan Tiangang	100		
		Su Tiegang	100		
		Ye Yonghui	100		
		Li Gengsheng	100		



Corporate Governance Report

During 2007, the Directors complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

During the reporting period, the independent Directors and members of the Audit Committee of the Board were engaged in the preparation of the Company's 2007 annual report. For the Company's 2007 annual results and financial position, the Company had written communications with the independent directors and the Audit Committee members. Based on the annual audit working plan negotiated and confirmed with the accountants, the Audit Committee tracked and monitored the entire process of the annual audit. After the auditors issued the preliminary auditors' opinions, the Company held an independent directors' meeting and a Audit Committee meeting, in which the independent Directors and the Audit Committee members communicated with the Company's senior management and auditors regarding the Company's 2007 results and financial statements and the work of the auditors, forming relevant opinions and resolutions as a result.

3. Supervisors and the Supervisory Committee

The Company's Supervisory Committee comprises four members, of which two are supervisors representing the staff. The membership and composition of the Supervisory Committee comply with the requirements of the laws and regulations. Supervisory Committee members shall exercise their supervisory duty as mandated by the laws, regulations, the Articles of Association and the rights granted by general meeting, and shall be accountable to the general meeting, in order to ensure that shareholders' interests, the Company's interests and the staff's lawful interests

are not violated. During the reporting period, the Supervisory Committee held five meetings and attended all Board meetings and Audit Committee meetings. Through various channels and methods, the Supervisory Committee carried out regular inspections on the Company's finances and substantial matters, as well as supervising the lawfulness and compliance of the Directors, the president and other senior management members in discharging their duties.

4. Chairman and Chief Executive Officer

The positions of Chairman (chairman of the Board) and President of the Company are held by two different persons respectively. Mr. Zhai Ruoyu and Mr. Zhang Yi are the Chairman and President of the Company, respectively. The power of the Chairman and the president is expressly provided in the Articles of Association. The main duties of the Chairman include 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) to take charge of the production and operation management of the Company, and coordinate the implementation of the Board resolutions; (2) to coordinate the implementation of the Company's annual operation plans and investment proposals; (3) to formulate the Company's internal management systems; (4) to lay down the Company's fundamental management system; (5) to formulate the fundamental constitution of the Company; (6) to propose the appointment or dismissal of the deputy managers and person in charge of finance; (7) to appoint or dismiss other officers in charge that are not appointed or removed by the Board and so forth.



5. Non-executive Directors

The Company has a total of 12 non-executive Directors (with one vacancy of independent non-executive Director to be filled), it is provided in the Articles of Association that the term of appointment of Directors (including non-executive Directors) shall not exceed three years and Directors are eligible for re-election and re-appointment. Any new Director will take office only after being elected and approved at the general meeting.

As stipulated by the regulations of the state supervisory department, the consecutive term of services of Independent non-executive Directors (i.e. independent Directors) shall not exceed six years. The Articles of Association has not expressly provided that the Directors would retire in rotation once every three years.

6. Remuneration of Directors

During the Year, the Company and the remunerations of the executive Directors and senior management of the Company followed a salary system primarily based on positional salary. In accordance with the decision of the Board, the annual remuneration for each independent non-executive Directors was RMB60,000 (after tax). The remunerations for other non-executive Directors were determined by their respective salary systems as provided and paid by their respective affiliated entities. The Board has established the Remuneration and Appraisal Committee, which comprises four Directors with non-executive Directors making up half of the membership.

The major duties of the Remuneration and Appraisal Committee 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 2008, the Remuneration and Appraisal Committee held a meeting to review the performance and level of remuneration for the executive Directors and senior management of the Company in 2007. The composition and level of remuneration were disclosed in this annual report. The attendance of the committee members at meetings is as follows:

Convenor:	Attendance (%)
Liu Chaoan (Independent non-executive Director)	100%
Members:	
Xia Qing (Independent non-executive Director)	100%
Hu Shengmu (Non-executive Director)	100%
Zhou Gang (Executive Director) was unable to attend the meeting due to business engagement	0%



Corporate Governance Report

7. Nomination of Directors

It is provided in the Articles of Association that Directors are elected and formed by the general meeting 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 meeting of the Company on the basis of recommendations of the 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.

During the Year, the term of the members of the Company's fifth session of the Board expired; the "Resolution on the Nomination of the Candidates for the sixth Session of the Board" was considered and approved by way of written resolution, and pursuant to the proposal of the shareholders, the Board agreed to nominate 14 members for the sixth session of the Board, among which 4 are independent directors and 10 are directors who nominated by shareholders. The members of the sixth session of the Board were elected at the 2006 annual general meeting and took office as Directors with effect from 1 July 2007.

8. Auditors' Fees

During the Year, the audit service fee payable to PricewaterhouseCoopers, and PricewaterhouseCoopers Zhong Tian CPAs Limited Company, the Company's international and local auditor, amounted to approximately RMB11.86 million. On the meeting of the sixth session of the Board convened on 14 April 2008, an additional

audit service fee for 2007 of RMB1.816 million was agreed. The non-auditing service fee amounted to approximately RMB30 thousand. Such non-auditing services mainly for capital verification service.

9. The Audit Committee

The Audit Committee under the Board comprises four Directors, of whom half are independent Directors. Major duties of the Audit Committee include: to supervise the Company's internal audit system and its implementation; to facilitate the communication between internal and external audit parties; to review the Company's financial information and term disclosure; to review the Company's internal control system and to propose 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. The Audit Committee is also responsible for discussing the internal control and financial management affairs of the Company.

During 2007, the Audit Committee convened two meetings. Conscientious audits of the Company's interim and annual results and related financial matters as well as the Company's internal control system were conducted. It also duly assessed the auditors' work. The Audit Committee is of the view that the Company's internal control systems were effectively implemented and the internal control systems have achieved remarkable results, and have effectively controlled the production and operation risks of the Company. Meanwhile, the Audit Committee has proposed to the Board to re-appoint PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as



the Company's domestic and international auditors respectively for 2008; the re-appointment will become valid subject to the approval at the 2007 annual general meeting.

During the Year, the attendance by the Audit Committee members to the committee's meetings is as follows:

Convenor:	Attendance (%)
Yu Changchun (Independent non-executive Director, financial management expert)	100%
Members:	
Xia Qing (Independent non-executive Director)	100%
Ye Yonghui (Non-executive Director)	100%
Guan Tiangang (Non-executive Director)	100%

10. Internal Control and Governance of the Company

The Board places a strong emphasis on risk management and emphasises on the establishment and enforcement of the internal control system. From the perspectives of business management, functional management and positional management, the Company established basic corporate management systems such as the internal control system for financial management, the financial and accounting system, the internal audit system, the administrative management

system, the information management system and the production management system.

The Company directly owned four power plants at the beginning, and currently it has rapidly expanded with controlling interests or investments in over 50 companies. With its development, the Company's business has also moved from purely coal-fired power generation as at the beginning to diversified power sources and operations, with involvements in aspects such as nuclear power, railways and coal mines. Accordingly, in order to enhance the Company's internal control system and effectively prevent risks, during the reporting period the Company has examined its relevant existing internal control systems and made amendments and additions to the existing internal control systems, with a focus on enhancing the internal control system for finances. Currently, the preliminary drafts for the relevant internal control manual on finances and the self-inspection manual are completed and implemented.

As for organisational structure, the Company has established the audit supervision department, with a comprehensive and effectively operating internal audit system. Meanwhile, several specialised task forces on aspects such as financial budgeting, bidding and tenders, and emergency incidents were established at the management level to assist the Company's President to make major decisions and devise risk-prevention proposals in the daily operation. The Board and the Audit committee conscientiously examined the Company's internal control system and its execution, and were of the view that the internal control system was implemented adequately and had achieved significant result, thereby effectively controlling the Company's production and operation risks.

