

Report of the Directors

The Directors are pleased to present the audited results of the Company for the year ended 31st December, 2000.

LISTING AND ISSUE OF SHARES

The Company's H shares have been listed on the Hong Kong Stock Exchange and the London Stock Exchange since 21st March, 1997. The Company did not issue any new shares during the year.

Performance of the Company's H Shares in 2000:

31st December, 2000	
Closing price per H Share	HK\$2.025
From 1st January, 2000 to 31st December, 2000	
Highest traded price per H Share	HK\$2.35
From 1st January, 2000 to 31st December, 2000	
Lowest traded price per H Share	HK\$0.86
From 1st January, 2000 to 31st December, 2000	
Total number of H shares traded	3,003,610,300 shares

ACCOUNTS

The audited results of the Company for the year ended 31st December, 2000 are set out in the Consolidated Income Statement on page 51.

The financial position of the Company as at 31st December, 2000 is set out in the Balance Sheets on page 50.

The cash flows of the Company for the year ended 31st December, 2000 are set out in the Consolidated Statement of Cash Flows on page 53.

MAIN BUSINESSES

The main businesses of the Company are to acquire, own and operate existing coal-fired power plants and to develop, construct, own and operate new power plants.



MAJOR SUPPLIERS AND CUSTOMERS

The percentage of purchases and sales attributable to the Company's suppliers and customers for the year are as follows:

	Percentage
Purchases	
The largest supplier	22%
Five largest suppliers	59%
Sales	
The largest and only customer	100%

Save for NCPGC, none of the directors, supervisors, their associates or shareholders, to the knowledge of the directors, own more than 5% of the capital of the Company's suppliers and customers mentioned above during the year.

SUBSIDIARIES AND ASSOCIATES

At 31st December, 2000, the Company's subsidiaries include Tianjin Datang Panshan Power Generation Company, Inner Mongolia Tuoketuo Power Generation Company Limited and Hebei Huaze Hydropower Development Company Limited, whereas North China Electric Power Research Institute Company Limited is its associate company.

DIVIDENDS AND EARNINGS PER SHARE

Details of dividends and earnings per share are set out in notes 24 and 25 to the financial statements on page 69.

RESERVES

Movements in reserves during the year are set out in note 12 to the financial statements on page 63 to page 64.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year are set out in note 3 to the financial statements on page 60 to page 61.

SHARE CAPITAL

Details of movements in the share capital of the Company are set out in note 11 to the financial statements on page 63.



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SHARE CAPITAL STRUCTURE

As at 31st December, 2000, the total number of shares issued by the Company was 5,162,849,000 shares. The Company's shareholders were NCPGC, BIPDIC, HCIC, TJIC and foreign holders of H Shares, holding 1,828,768,200 shares, 671,792,400 shares, 671,792,400 shares, 559,827,000 shares and 1,430,669,000 shares, respectively, representing 35.43%, 13.01%, 13.01%, 10.84% and 27.71%, respectively, of the entire share capital of the Company.

USE OF PROCEEDS

The Company's shares were listed on the Hong Kong Stock Exchange and the London Stock Exchange on 21st March, 1997. Net proceeds raised were approximately Rmb3,702 million. As at 31st December, 2000, approximately Rmb3,605 million had been used as follows:

- approximately Rmb1,383 million for the acquisition of Unit 1 of Zhang Jia Kou Power Plant;
- approximately Rmb1,246 million for the construction of Zhang Jia Kou Power Plant Phase II;
- approximately Rmb675 million for investment in Tianjin Datang Panshan Power Generation Company; and
- approximately Rmb301 million for investment in Inner Mongolia Datang Tuoketuo Power Generation Company.

NUMBER OF SHAREHOLDERS

Details of the shareholders as recorded in the register of members of the Company at 31st December, 2000 are as follows:

Total number of shareholders (including nominee companies)	519
Domestic shareholders	4
H Shares shareholders	515

SHARES HELD BY SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the largest shareholder of the Company was NCPGC, which held 1,828,768,200 domestic shares, representing 35.43% of the entire share capital of the Company.



Save as disclosed above, as at 31st December, 2000, the Company was not aware of any shareholding interests which were required to be disclosed pursuant to the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

INTERESTS OF DIRECTORS AND SUPERVISORS IN SHARE CAPITAL

None of the directors, supervisors or their respective associates had any interests in the share capital of the Company or any of its associated corporations which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Section 28 of the SDI Ordinance, including interests which they were deemed or taken to own under Section 31 or Part I of the Schedule to that Ordinance, or which were required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DIRECTORS' SERVICE CONTRACTS

Each of the executive directors entered into a service contract with the Company during the period between 10th October, 1996 and 31st December, 2000. Such service contracts will expire on 30th June, 2001.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

No contracts of significance in relation to the Company's business to which the Company and its subsidiaries were a party, and in which any director or supervisor had a material interest, subsisted at the end of the year or at any time during the year.

DIRECTORS' AND SUPERVISORS' BENEFITS FROM RIGHTS TO ACQUIRE FOR SHARES OR DEBENTURES

No arrangements were made by the Company or its subsidiaries at any time during the year to allow any director or supervisor of the Company to acquire any shares in or debentures of the Company or any other corporations.

HIGHEST PAID INDIVIDUAL

All of the highest paid individuals of the Company during the year were directors and senior management staff. Details of their remuneration are set out in note 23 to the financial statements.



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PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed securities by the Company during the year.

BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Apart from the loans from North China Power Group Finance Company Limited, long-term bank loans, long-term shareholders loans and other long-term loans as set out in notes 13 to 16 to the financial statements on page 64 to page 65, there were no other borrowings as at 31st December, 2000.

PRE-EMPTIVE RIGHTS

According to the Articles of Association of the Company, there is no pre-emptive right requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

CONNECTED TRANSACTIONS

Transactions involving the NCPGC and its associates

During the year, the Company has entered into the following connected transactions with NCPGC and its associates as agreed. A waiver has been granted by the Hong Kong Stock Exchange to exempt the Company from compliance with provisions relating to connected transaction set out in Chapter 14 of the Listing Rules of the Hong Kong Stock Exchange:

Date of transaction	Details	Amount Rmb'000
During 2000	Sale of electricity to NCPGC	5,694,195
During 2000	On-grid service fee payable to NCPGC	20,751
During 2000	Fuel management payable to NCPGC	22,873
During 2000	Coal ash disposal fee payable to NCPGC	82,209
During 2000	Rental payable to NCPGC	9,700

The independent non-executive directors have reviewed the transactions described above and have confirmed that:

- (1) the transactions described above had been entered into by the Company in the ordinary and daily course of its business;



- (2) the transactions described above had been entered into either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature made by similar entities within the PRC), or (b) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (3) the transactions described above have been entered into either (a) in accordance with the terms of the agreements governing such transactions, or (b) where there is no such agreement, on terms no less favourable than terms available to third parties.

The auditors of the Company have reviewed the transactions described above, and have advised the directors in writing that:

- (a) the transactions described above had received the approval of the directors;
- (b) the transactions described above had been entered into in accordance with the terms of the agreements governing such transactions, and the pricing method as stated therein as disclosed in the note 22 of the financial statements for the year ended 31st December, 2000; and
- (c) the transactions described above had not exceeded the relevant cap applicable to such transactions.

Interest expenses of shareholders and related parties

Interest expenses of shareholders and related parties incurred by the Company during the year amounted to approximately Rmb5,556,000.

Interest income from deposits within North China Power Group Finance Company

During the year, the Company has received interest income amounted to approximately Rmb2,324,000 in respect of deposits held with North China Power Group Finance Company.

MATERIAL LITIGATION

The Company was not involved in any material litigation during the year.



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RETIREMENT SCHEME

Pursuant to the staff retirement scheme promulgated by the state, the Company has to contribute an amount equivalent to 18% of the total salary of its staff during the year as the basic retirement insurance fund, and employees will receive a monthly pension payment according to relevant standards after they retire. In addition, the Company has also launched a supplementary retirement plan, whereby employees will make monthly contributions in accordance with their years of service as individual savings retirement insurance fund, while the Company will contribute an amount equivalent to twice the amount of the employees' contribution. The Company may at its discretion provide additional non-recurring corporate supplemental savings retirement insurance fund depending on the operating results of the year. Upon retirement, the staff will receive pension payment comprising their own contributions and the Company's contributions. Apart from such contributions, the Company has no other liabilities towards the staff retirement scheme.

INTEREST CAPITALIZED

During the year, interest capitalized in respect of construction-in-progress amounted to Rmb138,154,000.

OTHER SIGNIFICANT EVENTS

1. The Company and its subsidiaries have finalised a scheme for selling staff quarters to its staff in 1999. Under the scheme, the Company and its subsidiaries will provide housing benefits, which represented the difference between the net book value of the staff quarters sold and the proceeds collected from the employees, to its staff to enable them to buy staff quarters from the Company and its subsidiaries at preferential prices. The estimated housing benefits of approximately Rmb365 million is expect to benefit the Company and its subsidiaries over 10 years which is the estimated average remaining years of service of the relevant employees. Upon completion of the sales of the staff quarters to the employees, the housing benefits incurred are recorded as deferred assets by offsetting against accruals previously made and the remaining balance will be amortized over the remaining service life of the relevant employees. The deferred asset so recorded as at 31st December, 2000 amounted to approximately Rmb229,518,000.
- (2) At the Extraordinary General Meeting held in Beijing on 29th December, 2000, Mr Zhai Ruoyu was appointed as a non-executive director of the Company.

CODE OF BEST PRACTICE

To the knowledge of the Directors, the Company had complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange throughout 2000.



AUDITORS

The Company's financial statements prepared under International Accounting Standards have been audited by Arthur Andersen & Co. A resolution to re-appoint Arthur Andersen & Co as the international auditor will be proposed at the Annual General Meeting.

By Order of the Board

Zhai Ruoyu

Chairman

6th March, 2001

