

BEIJING DATANG POWER GENERATION COMPANY LIMITED

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENT

AS AT 30TH JUNE 2001 (Unaudited)

(All amounts expressed in Rmb unless otherwise stated)

1. Company Organisation and Principal Activities

Beijing Datang Power Generation Company Limited (the "Company") was incorporated in Beijing, the People's Republic of China (the "PRC"), on 13th December 1994 as a joint stock limited company. Subsequent to the listing of its H shares on The Stock Exchange of Hong Kong Limited and the London Stock Exchange Limited on 21st March 1997, the Company was registered as a Sino-foreign joint venture on 13th May 1998. The Company currently owns and operates four power plants in Hebei Province and Beijing City of the PRC. The Company's power plants are principally engaged in the generation and sale of electric power to its substantial shareholder, North China Power Group Company ("NCPGC").

According to the shareholding transfer agreement dated 15th November 2000 and supplemental agreement dated 30th April 2001, the Company agreed to acquire 60% equity interest in Shanxi Datang Shentou Power Generation Company Limited ("Datang Shentou") (previously named as Shanxi Shentou Huajin Electric Co. Ltd.) for a total consideration of Rmb12 million (see note 12(d) below). Datang Shentou is a limited liability company established in the PRC to construct and operate the second phase of Shanxi Shentou No. 2 Power Plant Project with total investment of approximately Rmb5.1 billion. Datang Shentou has become a subsidiary of the Company since 30th April 2001.

On 9th May 2001, the Company entered into an Equity Interest Transfer Agreement to acquire 80% equity interest in Shanxi Datong Pingwang Heat and Power Company Limited ("Pingwang Heat and Power") for a total cash consideration of Rmb8 million (see Note 12(e) below). Pingwang Heat and Power is a limited liability company established in the PRC to construct and operate the technological renovation project of replacing small units with larger units at Datong First Power Plant with total investment of approximately 1.7 billion. Pingwang Heat and Power has become a subsidiary of the Company since 9th May 2001.



1. Company Organisation and Principal Activities (Cont'd)

Particulars of the Company's subsidiaries and associated company, all of which are limited liability companies established and operated in the PRC, as at 30th June 2001 were as follows:

<u>Company name</u>	<u>Date of establishment</u>	<u>Registered capital</u>	<u>Paid-up capital</u>	<u>Attributable interest</u>	<u>Principal activities</u>
		'000	'000		
Subsidiaries					
Tianjin Datang Panshan Power Generation Co. Ltd.	6th August 1997	930,790	930,790	75%	Power generation (construction-in-progress)
Inner Mongolia Datang Tuoketuo Power Generation Co. Ltd. ("Datang Tuoketuo")	17th November 1995	447,824	447,824	60%	Power generation (construction-in-progress)
Hebei Huaze Hydropower Development Company Limited	29th July 1998	59,161	54,591	90%	Power generation (construction-in-progress)
Shanxi Datang Shentou Power Generation Company Limited	8th December 1998	20,000	20,000	60%	Power generation (pre-construction-in-progress)
Shanxi Datang Pingwang Heat and Power Company Limited	14th July 2000	10,000	—	80%	Power generation (pre-construction-in-progress)
Associated company					
North China Electric Power Research Institute Company Limited	7th December 2000	100,000	100,000	30%	Power related technology services

The principal activity of the Company and its subsidiaries is power generation.

2. Principal Accounting Policies

The accompanying condensed consolidated financial statements are prepared in accordance with International Accounting Standards ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Committee and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2. Principal Accounting Policies (Cont'd)

The condensed consolidated financial statements include those of the Company and its subsidiaries and also incorporate the Company's interest in an associated company on the basis as set out in Note 3 below.

The principal accounting policies adopted for the preparation of the condensed consolidated financial statements as at and for the six months ended 30th June 2001 are consistent with those adopted for the preparation of the financial statements as at and for the year ended 31st December 2000, except that financial instruments are recognised and measured in accordance with IAS 39, which is effective from 1st January 2001.

In accordance with IAS 39, after initial recognition of a financial asset or financial liability at cost, the Company and its subsidiaries measure each major class of financial instruments at either the reliable fair value or amortised cost according to the classification of the financial instruments. Regular way purchases and sales of financial assets are accounted for at trade date.

Government bonds that were acquired for the purpose of generating a profit from short-term fluctuation in price are classified as financial assets held for trading and are stated at fair value. The fair value is determined based on quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair value subsequent to initial recognition are included in net profit or loss for the period. For the six months ended 30th June 2001, gain or loss arising from change in the fair value of government bonds held for trading was not material.

Available for sale investments represent unquoted equity investments without fixed maturity (see Note 4 below). Since such investments do not have a quoted market price in an active market and there are no other appropriate methods to reasonably estimate their fair value, they are stated at cost subject to review for impairment.

Financial liabilities carried on the balance sheet include bank loans, loans payable to shareholders and other loan. All these loans are carried at amortised cost.

The financial effects of adopting IAS 39 did not have a significant impact on the opening balances of the condensed consolidated financial statements.



3. Investment in an Associate

Investment in an associate represents a 30% equity investment (unlisted) in North China Electric Power Research Institute Company Limited, and is accounted for using the equity method. As the associate is operating in a breakeven position, the Company's proportionate share of the operating results of the associate was not material for the six months ended 30th June 2001.

4. Available for Sale Investments

Available for sale investments represent a 16% equity investment (unlisted) in NCPG Finance Company Ltd. and a 15% equity investment in Yunnan Datang Honghe Power Generation Company Limited ("Honghe Power") (Previously named as Yunnan Kaiyuan Power Generation Company Limited) stated at costs. NCPG Finance Company Ltd. is a non-bank financial institution providing financing services to entities controlled by NCPGC. As stated in Note 13(a) below, after the increase in equity interest in Honghe Power as approved by the shareholders' meeting of the Company on 14th August 2001, Honghe Power subsequently became a subsidiary of the Company. As at 30th June 2001, there was no indication of any impairment in value.

5. Due from Related Parties

Due from related parties mainly represent the receivable from NCPGC for tariff revenue. This receivable is unsecured and non-interest bearing. The tariff revenue is settled monthly according to the payment provisions set out in the Power Purchase Agreement. As at 30th June 2001, all tariff receivable from NCPGC was aged within one month.

6. Accounts Payable and Accrued Liabilities

	30th June 2001	31st December 2000
	'000	'000
Construction costs and deposits payable to contractors	796,982	489,404
Fuel and material costs payable	330,865	318,675
Salary and welfare payable	169,865	147,163
Others	262,243	204,044
	<u>1,559,955</u>	<u>1,159,286</u>

As at 30th June 2001, substantially all the accounts payable were aged within one year.

7. Operating revenue

Operating revenue represents amount of tariffs billed for electricity generated and transmitted to NCPGC. Tariff revenues are recognised upon billing and transmission of electricity to the power grid controlled and owned by NCPGC.

8. Taxation

The PRC income tax for the six months ended 30th June 2001 was calculated at the rate of 33% on the estimated assessable profit for the period determined in accordance with the PRC income tax rules and regulations.

9. Earnings Per Share

The calculation of basic earnings per share for the six months ended 30th June 2001 was based on net profit of approximately Rmb728,280,000 (2000 — Rmb650,718,000) and on the weighted average number of 5,162,849,000 (2000 — 5,162,849,000) shares which is calculated on the basis of 3,732,180,000 (2000 — 3,732,180,000) Domestic Shares and 1,430,669,000 (2000 — 1,430,669,000) H Shares.

No diluted earnings per share was presented, as there were no dilutive potential ordinary shares outstanding for the six months ended 30th June 2001 and 2000.

10. Profit Appropriation

On 6th March 2001, the Board of Directors proposed a dividend of Rmb0.10 per share, totalling approximately Rmb516,285,000, for the year ended 31st December 2000. The proposed dividend distribution was approved by the shareholders in the general meeting dated 29th April 2001.

On 6th March 2000, the Board of Directors proposed a dividend of Rmb0.06 per share, totalling approximately Rmb309,771,000, for the year ended 31st December 1999. The proposed dividend distribution was approved by the shareholders in the general meeting dated 28th April 2000.



10. Profit Appropriation (Cont'd)

In accordance with the relevant laws and regulations of the PRC and the Company's articles of association, the Company is required to appropriate 10% of its profit after taxation, determined based on the financial statements prepared in accordance with the PRC accounting standards and regulations, ("PRC GAAP") to each of the statutory surplus reserve and statutory public welfare fund. In addition, it is the Company's current policy to transfer all unappropriated retained earnings to the discretionary surplus reserve. For the six months ended 30th June 2001, approximately Rmb74,988,000, Rmb74,988,000 and Rmb599,903,000 have been appropriated to the statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve, respectively.

In addition, pursuant to documents Cai Qi [2000] 295, Cai Qi [2000] 878 and Cai Kuai [2001] 5, deferred housing benefits for staff quarters sold that were approved by the government before the effective date of Cai Qi [2000] 295, i.e. 6th September 2000, should be directly deducted from shareholders' equity starting from 2001. Accordingly, approximately RMB229,518,000 which represented the deferred housing benefits balance as at 1st January 2001 has been directly deducted from the statutory public welfare fund under PRC GAAP. For IAS reporting purpose, the deferred housing benefits are amortised over the estimated average service life of the relevant employees. To reflect the reduction of the statutory public welfare fund, an amount equivalent to the deferred housing benefits balance was transferred from statutory public welfare fund to a restricted reserve specifically set up for this purpose. Upon future amortisation of the deferred housing benefits, an amount equivalent to the amortisation for the period will be transferred from the restricted reserve to the discretionary surplus reserve.

11. Related Party Transactions

- (a) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the six months ended 30th June 2001:

	Six months ended 30th June	
	2001	2000
	'000	'000
Tariff revenue from NCPGC	3,134,598	2,618,382
Management fee to NCPGC	11,577	9,458
Fuel service fee to divisions and affiliates of NCPGC	12,023	9,577
Ash disposal fee to divisions and affiliates of NCPGC	42,507	39,533
Interest income from NCPG Finance Company Ltd.	1,182	769
Interest expenses to shareholders and NCPG Finance Company Ltd.	7,538	2,842
Dividend income from NCPG Finance Company Ltd.	5,479	6,646
Rental fee to NCPGC	4,850	4,850

All of the Company's sales of on-grid electricity for the period were made to NCPGC pursuant to the Power Purchase Agreement dated 5th August 1996.

In addition to the transactions identified above, companies established by ex-employees of the Company provided property management, cleaning, transportation, medical and other services amounted to approximately Rmb32,511,000 (2000 — Rmb37,618,000) to the Company and its subsidiaries for the six months ended 30th June 2001.

- (b) As at 30th June 2001, cash and cash equivalents of approximately Rmb59,076,000 (31st December 2000 — Rmb62,790,000) were deposited with NCPG Finance Company Ltd. at the prevailing market interest rate of 1% (31st December 2000 — 1%) per annum.



11. Related Party Transactions (Cont'd)

- (c) As at 30th June 2001, NCPGC, Tianjin Jinneng Investment Company, Beijing International Power Development and Investment Company (all of which are the Company's shareholders) and Inner Mongolia Mengdian Huaneng Heat and Power Company Limited (the minority shareholder of Datang Tuoketuo) had provided guarantees on the Company and its subsidiaries' loans totalling approximately Rmb3,279 million (31st December 2000 — Rmb3,279 million). All these loans were unsecured and bore interest at rates ranging from 5.58% to 6.21% (31st December 2000 — 5.58% to 7.08%) per annum.
- (d) As at 30th June 2001, the Company had loans payable to shareholders and NCPG Finance Company Ltd. totalling approximately Rmb235,920,000 (31st December 2000 — Rmb201,320,000) . All these loans were unsecured and bore interest at rates ranging from 0% to 5.85% (31st December 2000 — 0% to 5.58%) per annum.

12. Supplemental Financial Information

- (a) *Balance sheet*

	30th June 2001	31st December 2000
	'000	'000
Net current assets	2,151,822	2,879,817
Total assets less current liabilities	18,215,325	17,961,134
Net assets	13,142,571	12,930,576
Additions to property, plant and equipment	1,515,117	4,384,281

12. Supplemental Financial Information (Cont'd)

(b) *Income statement*

	Six months ended 30th June	
	2001	2000
	'000	'000
Interest expenses	(218,229)	(136,424)
Less: amount capitalised in property, plant and equipment	133,464	64,945
	(84,765)	(71,479)
Interest income	76,242	81,161
Exchange gain (loss)	197	(199)
	(8,326)	9,483
Depreciation and amortisation	(524,685)	(446,413)
Fuel costs	(915,104)	(739,346)
Dividend income	5,479	6,646
Cost of materials and supplies	(15,380)	(13,809)

(c) *Cashflow statement*

	Six months ended 30th June	
	2001	2000
	'000	'000
Investing activities		
Additions to property, plant and equipment	(1,388,744)	(3,224,336)
Financing activities		
Drawdown of short-term bank loans	265,000	135,000
Repayment of short-term bank loans	—	(80,000)
Drawdown of short-term loans payable to NCPG Finance Company Ltd	276,080	160,000
Repayment of short-term loans payable to NCPG Finance Company Ltd	(241,480)	(160,000)
Drawdown of long-term bank loans	195,063	912,436
Repayment of long-term bank loans	(526,403)	(436,678)
Repayment of long-term loans payable to shareholders	—	(294,501)
Drawdown of other long-term loan	17,611	—
Repayment of other long-term loan	(40,011)	—



12. Supplemental Financial Information (Cont'd)

(d) *Acquisition of Datang Shentou*

	'000
Cash and cash equivalents	1,204
Inventories and other current assets	8,723
Property, plant and equipment	10,278
Accounts payable and accrued liabilities	(205)
Minority interests	<u>(8,000)</u>
Fair value of net assets	<u><u>12,000</u></u>

As at 30th June 2001, Datang Shentou was still under construction.

(e) *Acquisition of Pingwang Heat and Power*

	'000
Cash and cash equivalents	4,282
Inventories and other current assets	3,018
Property, plant and equipment	6,647
Accounts payable and accrued liabilities	(1,190)
Loan-term loans	(2,757)
Minority interests	<u>(2,000)</u>
Fair value of net assets	<u><u>8,000</u></u>

As at 30th June 2001, Pingwang Heat and Power was still under construction.

13. Capital Commitments

As at 30th June 2001, the Company had the following equity investment commitments:

- (a) According to the Investment Agreement dated 7th January 2001, for the establishment of Honghe Power, the Company has invested in the 15% equity interest in Honghe Power (see Note 4 above). According to the Supplemental Investment Agreement dated 9th May 2001, the Company agreed to increase its equity interest in Honghe Power from 15% to 70%. The investment increase has been approved by the Company's shareholders' meeting on 14th August 2001. Honghe Power is a limited liability company established in the PRC to construct and operate Yunnan Honghe Power Plant ("Honghe Project") with total investment of approximately Rmb2.7 billion.
- (b) On 28th May 2001, the Company entered into an Investment Agreement to invest in 55% equity interest in Gansu Datang Liancheng Power Generation Company Limited ("Liancheng Power"). The investment in Liancheng Power has been approved by the Company's shareholders' meeting on 14th August 2001. Liancheng Power is a limited liability company to be established in the PRC to construct and operate Phase II Expansion Project of Gansu Liancheng Power Plant with total investment of approximately Rmb2.4 billion.

In addition to the above investments, the capital commitments in relation to the construction and renovation of the electric utility plants of the Company and its subsidiaries as at 30th June 2001 not provided for in the balance sheet were as follows:

	'000
Authorised and contracted for	10,187,513
Authorised but not contracted for	<u>2,565,765</u>
	<u><u>12,753,278</u></u>

14. Subsequent events

As stated in Note 13 above, the increase in equity interest in Honghe Power and the investment in Liancheng Power have been approved by the Company's shareholders' meeting on 14th August 2001. Honghe Power has therefore become the Company's subsidiary.

