

Chairman's Statement



The Company will expand its market share in the national electricity market by developing, constructing, operating and managing large-scale power plants throughout the nation, with a dual emphasis on organic growth and acquisition.



TO ALL SHAREHOLDERS:

The year 2001 was a jubilant year for China, while it also marked the most significant expansion of the Company by far. I have the pleasure to present the review of operations in 2001 and the outlook of the Company.

Review of Operations

Ongoing expansion

Unit 8 of the Company's Zhang Jia Kou Power Plant, the first 600MW unit of Datang Panshan which is majority-owned by the Company and Units 1 and 2 of Datang Fengning Hydropower, also majority-owned by the Company, were integrated into the power grid. The Company established Datang Honghe by holding 70% equity interest; established Datang Liancheng by holding 55% equity interest; acquired 80% equity interest in Datang Pingwang; acquired 60% equity interest in Datang Shentou; and established Datang Tangshan by holding 80% equity interest. The construction project proposal for Phase II of Datang Tuoketuo was approved by the State in December 2001.

Stability and efficiency maintained in production

The equivalent availability factor of the Company's units was 92.35%. The Company's power generation increased by 18.58% when compared to that of the previous year.

Ongoing cost reductions

The Company's coal consumption rate for electricity generation was 362.8 g/kWh, reduced by 2.96g/kWh when compared to that of the previous year. The unit fuel cost was Rmb80.76/MWh, Rmb0.88/MWh lower than that of the previous year.

Chairman's Statement (Cont'd)

The Company was conferred in 2001 by *Finance Asia* the awards of "Best Managed Companies in China", "Best Investor Relations" and "Best Emphasis on Shareholders' Value". Recently in early 2002, the Company was conferred the award of "Best Corporate Governance in China — 2001" by *The Asset*.

Outlook

Rising to the Occasion

China's accession to WTO, the successful bid for hosting the 2008 Olympic Games and the acceleration of development of West China have generated enormous opportunities for the nation as well as Beijing. New opportunities emerge for a power generation company that mainly serves the Beijing-Tianjin-Tangshan ("BTT") Area such as the Company which will have the conditions to develop beyond that region. The Company will expand its market share in the national electricity market by actively developing, constructing, operating and managing large-scale power plants throughout the nation, with a dual emphasis on organic growth and acquisition.

Projects for which construction works are scheduled to commence in 2002 include:

- Datang Pingwang Thermal Power Project (200 MW x 2 units)
- Datang Shentou Power Project (500 MW x 2 units)
- Datang Liancheng Power Project (300 MW x 2 units)
- Datang Tuoketuo Power Project Phase II (600 MW x 2 units)
- Datang Tangshan Power Project Phase I (300 MW x 1 unit)



Embracing Challenges

However, we should avoid over-optimism towards the Company's operating situation. The increase in new power generation units and power supply from other regional grids might result in less utilisation hours for the Company's existing power generation units, and rising fuel prices might affect the Company's profitability.

In view of the above, the Company will continue to ensure production safety, fulfill production responsibility, increase revenue and reduce costs, monitor power generation costs, persist the strategy to expand beyond the BTT Area, procure active yet steady progress for ongoing and new projects, and strengthen the Company's ability to hedge against the risks and the ability to continue growth, with a view to preserving and enhancing shareholders' value.

Last but not least, may I take this opportunity to express sincere gratitude to all shareholders, institutions concerned and associates of the Company for their trust and support.

By Order of the Board

Zhai Ruoyu

Chairman

5th March 2002