

# Report of the Directors

The Directors are pleased to present the audited results of the Company and its subsidiaries for the year ended 31st December 2001.

## Listing and Issue of Shares

The Company's H shares have been listed on The Hong Kong Stock Exchange Limited 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 2001:

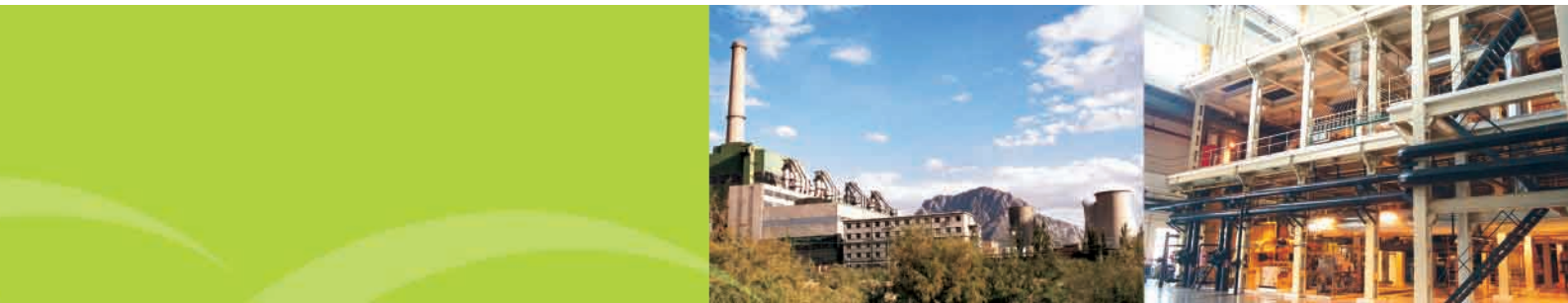
31st December 2001 Closing price per H Share	HK\$2.53
From 1st January 2001 to 31st December 2001 Highest traded price per H Share	HK\$3.28
From 1st January 2001 to 31st December 2001 Lowest traded price per H Share	HK\$1.93
From 1st January 2001 to 31st December 2001 Total number of H shares traded	3,702,389,000 shares

## Accounts

The audited consolidated results for the year ended 31st December 2001 are set out in the Consolidated Income Statement on page 58.

The financial position as at 31st December 2001 is set out in the Balance Sheets on page 57.

The consolidated cash flows for the year ended 31st December 2001 are set out in the Consolidated Statement of Cash Flows on page 60.



## 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
<b>Purchases</b>	
The largest supplier	26%
Five largest suppliers	62%
<b>Sales</b>	
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 Associated Company

At 31st December 2001, the Company's subsidiaries are Tianjin Datang Panshan Power Generation Company, Inner Mongolia Tuoketuo Power Generation Company Limited, Shanxi Datang Shentou Power Generation Company Limited, Shanxi Datang Pingwang Heat and Power Company Limited, Yunnan Datang Honghe Power Generation Company Limited, Gansu Datang Liancheng Power Generation Company Limited, Hebei Huaze Hydropower Development Company Limited and the Company's associated company was North China Electric Power Research Institute Company Limited. Hebei Datang Tangshan Thermal Power Company Limited became the Company's subsidiary in February 2002.

# Report of the Directors (Cont'd)

## **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 92.

## **Reserves**

Movements in reserves during the Year are set out in note 14 to the financial statements on page 79 to page 81.

## **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 74 to page 75.

## **Share Capital**

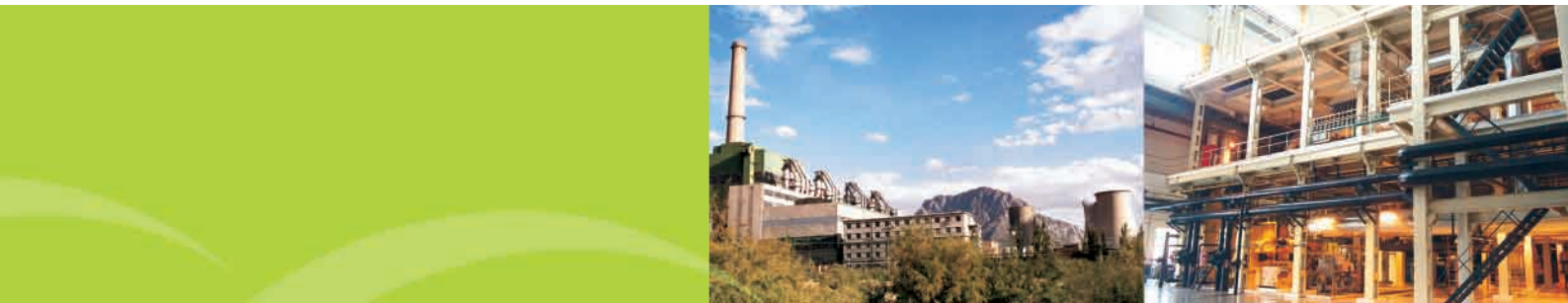
There were no changes in the share capital of the Company during the Year.

## **Share Capital Structure**

As at 31st December 2001, the total number of shares issued by the Company was 5,162,849,000 shares. The Company's shareholders were NCPGC, Beijing International Power Development and Investment Company, Hebei Construction Investment Company, Tianjin Jinneng Investment Company and foreign holders of H Shares, holding 1,828,768,200 domestic shares, 671,792,400 domestic shares, 671,792,400 domestic shares, 559,827,000 domestic shares and 1,430,669,000 H 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 Limited and the London Stock Exchange on 21st March, 1997. Net proceeds raised were approximately Rmb3,702 million. As at 31st December 2001, all the net proceeds had been used up as follows:



- approximately Rmb1,383 million for the acquisition of Unit 1 of Zhang Jia Kou Power Plant;
- approximately Rmb1,253 million for the construction of Zhang Jia Kou Power Plant Phase II;
- approximately Rmb765 million for investment in Tianjin Datang Panshan Power Generation Company Limited; and
- approximately Rmb301 million for investment in Inner Mongolia Datang Tuoketuo Power Generation Company Limited.

### Number of Shareholders

Details of the shareholders as recorded in the register of members of the Company at 31st December 2001 are as follows:

Total number of shareholders	428
Holders of domestic Shares	4
Holders of H Shares	424

### Shares Held By Substantial Shareholders

As at 31st December 2001, 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. Beijing International Power Development and Investment Company, Hebei Construction and Investment Company and Tianjin Jinneng Investment Company are respectively interested in 671,792,400, 671,792,400 and 559,827,000 domestic shares in the Company, representing 13.01%, 13.01% and 10.84% of the total share capital of the Company, respectively.

## Report of the Directors (Cont'd)

Save as disclosed above, as at 31st December 2001, 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 (as defined in the SDI Ordinance) 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 were deemed or taken to be owned by such persons 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's Service Contracts**

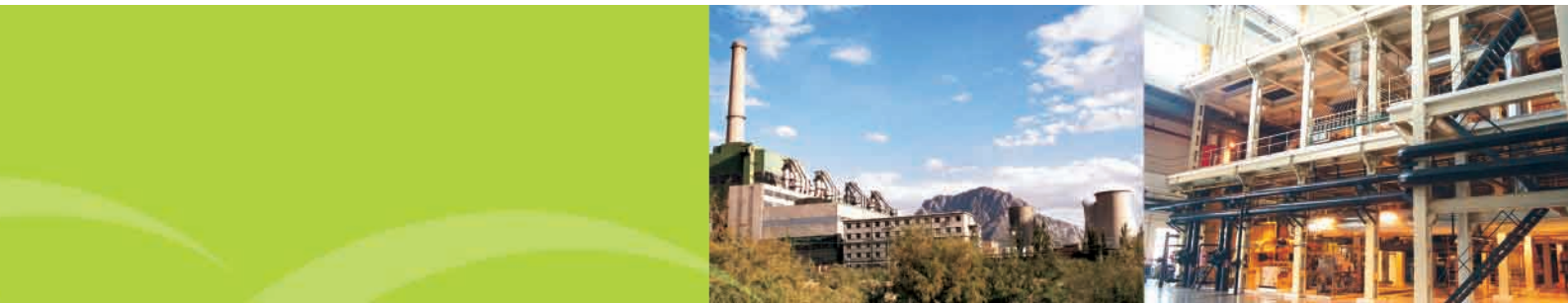
Each of the executive directors entered into a service contract with the Company with a term from 1st July 2001 to 30th June 2004.

### **Interests of Directors and Supervisors in Contracts**

No contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was 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 Shares or Debentures**

No arrangements were made by the Company or its subsidiaries at any time during the Year for any director or supervisor of the Company to acquire any shares in or debentures of the Company or any of its subsidiaries.



### **Five Highest Paid Individuals**

All of the five highest paid individuals of the Company during the Year include directors and senior management staff. Details of their remuneration are set out in note 23 to the financial statements set out on page 91.

### **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 Borrowings, Overdrafts and Other Borrowings**

Apart from the short-term loans and long-term loans as set out in notes 15 to 16 to the financial statements on page 82 to page 84, there were no other loans as at 31st December 2001.

### **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.

# Report of the Directors (Cont'd)

## Connected Transactions

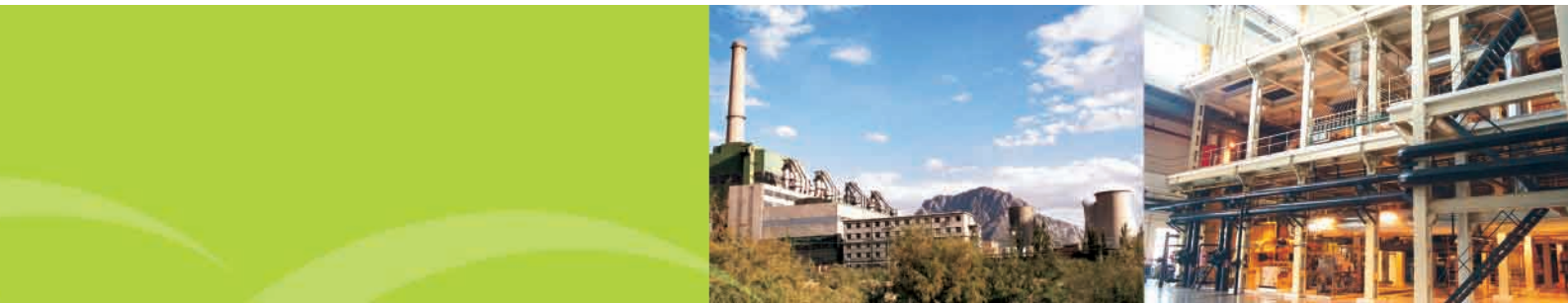
### *Transactions involving the NCPGC and its associates*

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

<b>Details</b>	<b>Amount (Rmb'000)</b>
1. Sale of electricity to NCPGC	6,550,620
2. On-grid service fee payable to NCPGC	24,297
3. Fuel management fee payable to NCPGC	23,909
4. Coal ash disposal fee payable to NCPGC	75,861
5. Rental payable to NCPGC	8,494

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 transaction, and the pricing method as stated therein, or relevant regulations stipulated by the State, if applicable; and
- (c) the transactions described above had not exceeded the relevant cap applicable to such transactions.

#### *Transactions involving North China Power Group Finance Company Limited*

During the Year, the Company has received an interest income amounting to approximately Rmb2,462,000 in respect of deposits held with North China Power Group Finance Company Limited.

The Company and its subsidiaries incurred interests expenses of approximately Rmb12,806,000 in respect of loans extended by North China Power Group Finance Company Limited.

The Company received from North China Power Group Finance Company Limited a dividend income of approximately Rmb5,479,000.

#### *Transactions involving North China Electric Power Research Institute Company Limited*

During the Year, the Company paid technical service fees amounting to approximately Rmb22,104,000 to North China Electric Power Research Institute Company Limited.

#### **Material Litigation**

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



# Report of the Directors (Cont'd)

## Retirement Scheme

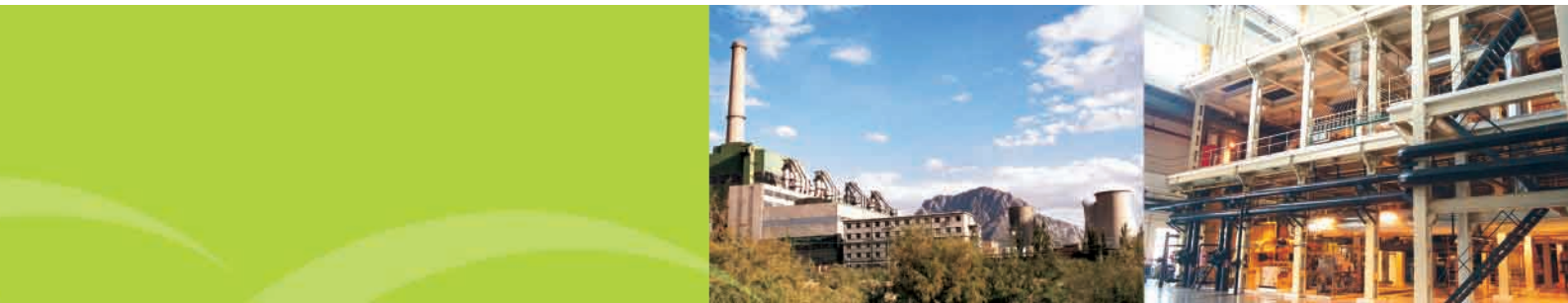
According to relevant government policies, a basic pension insurance premium was paid on behalf of our employees by the Company, whereby the employees would receive a monthly pension payment from the government after they retire. In addition, the Company has also launched a supplementary retirement plan, 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' contributions. 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 or exceptional requirement, 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 Capitalised

During the Year, interest capitalised in respect of construction-in-progress amounted to approximately Rmb251,884,000.

## 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 would 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 at preferential prices. The estimated housing benefits are expected 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.



2. During the Year, the Company's American Depositary Receipts have been approved by the China Securities Regulatory Commission and the U.S. Securities and Exchange Commission to be traded in the U.S. over-the-counter market.

### **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 2001.

### **Auditors**

The Company's financial statements prepared under International Financial Reporting 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*

5th March 2002