Notes to the Financial Statements

31st December 2001
(All amounts expressed in Rmb unless otherwise stated)

1. ORGANISATION AND OPERATIONS

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 and its subsidiaries currently own and operate five coal-fired power plants and one hydropower plant in Hebei Province, Beijing City and Tianjin City of the PRC.

The principal activity of the Company and its subsidiaries is power generation in the PRC. The Company and its subsidiaries conduct its business within one industry segment. As at 31st December 2001, the installed capacity of the Company and its subsidiaries is as follows:

Operating Plants	Total installed capacity	Total installed capacity attributable to the Company	Province/ Municipality located
	(MW)	(MW)	
Four original operating plants:			
Dou He Power Plant	1,550	1,550	Hebei
Gao Jing Power Plant	600	600	Beijing
Xia Hua Yuan Power Plant	400	400	Hebei
Zhang Jia Kou Power Plant	2,400	2,400	Hebei
Subsidiaries			
Datang Panshan Power Plant	600	450	Tianjin
Huaze Hydropower Power Plant	20	18	Hebei
	5,570	5,418	

1. ORGANISATION AND OPERATIONS (CONT'D)

The Company holds equity interests in the following subsidiaries and associate, all of which are limited liability companies established and operated in the PRC:

Company name	Date of establishment	Registered capital	Paid-up capital	Attributable interest	Principal activities
		'000	'000		
Subsidiaries					
Tianjin Datang Panshan Power Generation Co. Ltd. ("Datang Panshan")	6th August 1997	1,050,791	1,050,791	75%	Power generation
Inner Mongolia Datang Tuoketuo Power Generation Co. Ltd. ("Datang Tuoketuo")	17th November 1995	200,194	200,194	60%	Power generation (construction-in-progress)
Hebei Huaze Hydropower Development Company Limited ("Huaze Hydropower")	29th July 1998	59,161	59,161	90%	Hydropower generation
Shanxi Datang Shentou Power Generation Company Limited ("Datang Shentou")	8th December 1998	20,000	20,000	60%	Power generation (pre-construction)
Shanxi Datang Pingwang Heat and Power Company Limited ("Datang Pingwang")	14th July 2000	10,000	10,000	80%	Power generation (pre-construction)
Yunnan Datang Honghe Power Generation Company Limited ("Datang Honghe")	27th April 2001	10,000	10,000	70%	Power generation (pre-construction)
Gansu Datang Liancheng Power Generation Company Limited ("Datang Liancheng")	18th August 2001	10,000	10,000	55%	Power generation (pre-construction)
Hebei Datang Tangshan Thermal Power Company Limited ("Datang Tangshan") (Note 29(b))	21st February 2002	10,000	10,000	80%	Power generation (pre-construction)
Associate					
North China Electric Power Research Institute Company Limited	7th December 2000	100,000	100,000	30%	Power related technology services

1. ORGANISATION AND OPERATIONS (CONT'D)

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 Datang Shentou (previously named as Shanxi Shentou Huajin Electric Co. Ltd.) for a total consideration of Rmb12 million (See Note 26 (b) 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 estimated 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 Datang Pingwang for a total consideration of Rmb8 million (See Note 26(c) below). Datang Pingwang 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 estimated total investment of approximately Rmb1.7 billion. Datang Pingwang Heat and Power has become a subsidiary of the Company since 9th May 2001.

The effect of the acquisition of Datang Shentou and Datang Pingwang on the consolidated financial statements of the Company and its subsidiaries is not material (see Note 26(b) and (c) below).

According to the Investment Agreement dated 7th January 2001 and the Supplemental Investment Agreement dated 9th May 2001, the Company has invested in 70% equity interest in Datang Honghe (previously named as Yunnan Kaiyuan Power Generation Company Limited). Datang Honghe is a limited liability company established in the PRC to construct and operate Yunnan Honghe Power Plant with estimated total investment of approximately Rmb2.7 billion.

On 28th May 2001, the Company entered into an Investment Agreement pursuant to which the Company agreed to invest in 55% equity interest in Datang Liancheng. Datang Liancheng is a limited liability company established in the PRC to construct and operate Phase II Expansion Project of Gansu Liancheng Power Plant with estimated total investment of approximately Rmb2.4 billion.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in preparing the financial statements of the Company and its subsidiaries are as follows:

(a) Basis of presentation

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IAS"), as published by the International Accounting Standards Board, effective as at 31st December 2001.

The accompanying consolidated financial statements are prepared under the historical cost convention, except that investments held for trading are stated at their fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of presentation (Cont'd)

The principal accounting policies adopted for the preparation of the consolidated financial statements as at and for the year ended 31st December 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 has been effective since 1st January 2001.

(b) Principles of consolidation

The consolidated financial statements include those of the companies that the Company controls. This control is normally evidenced when the Company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of that company so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively.

The purchase method of accounting is used for acquired businesses. Companies acquired during the year are included in the consolidated financial statements from the date of acquisition.

Investments in associated companies (generally investments of between 20% to 50% in a company's equity) where significant influence is exercised by the Company are accounted for using the equity method.

In the Company's financial statements, investments in subsidiaries and an associate are accounted for using the equity method.

An assessment of investments in subsidiaries and an associate is performed when there is an indication that the asset has been impaired or the impairment losses recognised in prior years no longer exist.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated on consolidation. Unrealised gains arising from transactions with associate are eliminated to the extent of the group's interest in the associate, against the investment in the associate. Unrealised losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. When assets are sold or retired, their costs and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposals is included in the income statement. The initial cost of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. The cost of additions to, and replacements or betterment of, units of property, plant and equipment is capitalised. The cost of overhauls, routine maintenance, repairs and replacements of minor items of property, plant and equipment is charged to repair and maintenance expenses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Property, plant and equipment (Cont'd)

Depreciation of property, plant and equipment are provided using the straight-line method over the estimated useful lives of various classes of depreciable assets, after taking into consideration a residual value of up to 3% of the cost. The following table shows the estimated useful lives of property, plant and equipment used by the Company and its subsidiaries:

Buildings	20 to 30 years
Electric utility plants in service	12 to 40 years
Transportation facilities, computers and others	4 to 10 years

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Construction-in-progress represents buildings, transportation facilities and electric utility plants under construction and is stated at cost. This includes costs of construction, plant and machinery, and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for operational use.

(d) Land use rights

Costs of land use rights are recognised as an expense on a straight-line basis over the duration of land use rights of 30 to 50 years.

(e) Investments

The Company adopted IAS 39, Financial Instruments: Recognition and Measurement on 1st January 2001. Accordingly, investments are classified into the following categories: held-to-maturity, trading and available-for-sale. Investments with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other investments, other than loans and receivables originated by the company, are classified as available-for-sale.

Investments held for trading are included in current assets. Available-for-sale investments are classified as current assets if management intends to realise them within 12 months of the balance sheet date.

All the purchase and sales of investments are recognised on the trade date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Investments (Cont'd)

Available-for-sale and trading investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date. Equity securities classified as available-for-sale and trading investments without quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost less accumulated impairment loss. Gains or losses on measurement to fair value of available-for-sale investments are recognised directly in the fair value reserve in shareholders' equity until the investment is sold or otherwise disposed of, or until it is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Changes in fair value of trading investments are included in financial expense or income.

(f) Goodwill

The excess of the cost of an acquisition over the Company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. The identifiable assets and liabilities recognised upon acquisition are measured at their fair value as at that date.

When, subsequent to acquisition, additional evidence becomes available to assist with the estimation of the amounts assigned to identifiable assets and liabilities, those amounts and the amount assigned to goodwill (or negative goodwill) are adjusted to the extent that such adjustments are made by the end of the first annual accounting period commencing after acquisition and do not increase the carrying amount of goodwill above its recoverable amount. Otherwise, such adjustments to the identifiable assets and liabilities are recognized as income or expense.

Goodwill is carried at cost less accumulated amortisation and accumulated impairment loss. Goodwill is amortised on a straight-line basis over its estimated useful life of 10 years which is determined at the time of the acquisition based upon the particular circumstances. The unamortised balances are reviewed at each balance sheet date to assess the probability of continuing future benefits. If there is an indication that goodwill may be impaired, the recoverable amount is determined for the cash-generating unit to which the goodwill belongs. If the carrying amount is more than the recoverable amount, an impairment loss is recognised.

Amortisation of goodwill is included in other operating costs.

(g) Inventories

Inventories comprise fuel, spare parts and consumable supplies and are stated at the lower of cost and net realisable value, after provision for obsolete items. Cost, calculated on the weighted-average basis, comprises direct material cost and transportation expenses incurred in bringing the inventories to the working locations. The costs of inventories are capitalised to property, plant and equipment when used for replacements or betterment of electric utility plant or charged to the income statement when used for daily operations. Unrealisable inventory has been fully written off.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Receivables

Receivables are stated at the fair value of the consideration given and are carried at amortised cost, after provision for impairment.

(i) Short-term bank deposits for over three months

Short-term bank deposits for over three months represent fixed-term deposits denominated in Rmb, United States dollars and Hong Kong dollars with original maturities ranging from over three months to one year.

(j) Cash and cash equivalents

Cash represents cash in hand and demand deposits placed with banks or other financial institutions.

Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

(k) Financial instruments

Liabilities and equity

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement on initial recognition.

Interest, dividends, gains, and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instrument is classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issuance, in which case the instrument is classified as equity.

Derivative financial instruments

On inception, the Company identifies certain derivatives as either a) a hedge of the fair value of an asset or a liability (fair value hedge), b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction or c) a hedge of a net investment in a foreign entity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Financial instruments (Cont'd)

Derivative financial instruments (Cont'd)

The Company's criteria for classifying a derivative instrument as a hedge include: i) the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, ii) the effectiveness of the hedge can be reliably measured, iii) there is adequate documentation of the hedging relationships at the inception of the hedge, and iv) for cash flow hedges, the forecasted transaction that is subject of the hedges must be highly probable.

Derivatives financial instrument that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in the income statement.

An embedded derivative is separated from the host contract and accounted for as a derivative if i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and iii) the hybrid (combined) instrument is not measured at fair value with changes in fair value reported in net profit or loss.

(l) Provisions

A provision is recognised when, and only when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. When discounting is used, the increase in provision reflecting the passage of time is recognised as interest expense.

Gains from the expected disposal of assets are not taken into account in measuring the provision. Property, plant and equipment that is retired from the active use is carried at the lower of the carrying amount or estimated net selling price less costs of disposal.

(m) Minority interests

Minority interests include their proportion of the fair value of identifiable assets and liabilities recognised upon the acquisition of a subsidiary.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interest in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interest except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Revenue and income recognition

Revenue and income are recognised when it is probable that the economic benefits associated with a transaction will flow to the Company and the revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably and on the following bases:

(i) *Operating revenue*

Operating revenue represents amount of tariffs billed for electricity generated and transmitted to North China Power Group Company ("NCPGC"), the substantial shareholder. Operating revenue is billed and recognised upon transmission of electricity to the power grid controlled and owned by NCPGC.

(ii) *Interest income*

Interest income from deposits placed with banks and other financial institutions is recognised on a time proportion basis that takes into account the effective yield on the assets.

(iii) *Dividends income*

Dividends income is recognised when the right to receive payment is established.

(o) Fuel cost

The cost of fuel is charged to fuel cost based on actual consumption.

(p) Taxation

Enterprise income tax

Enterprise income tax is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes. The applicable PRC enterprise income tax rate for the Company and its subsidiaries is 33%.

Deferred taxes are provided under the balance sheet liability method in respect of significant temporary differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributed to that asset or liability for tax purposes. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Taxation (Cont'd)

Enterprise income tax (Cont'd)

Deferred tax assets and liabilities are recognised regardless of when the timing difference is likely to reverse. Deferred tax assets and liabilities are not discounted and are classified as non-current assets (liabilities) in the balance sheet.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the Company re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

Value-added tax ("VAT")

Under the "Provisional Regulations of the People's Republic of China on Value-added Tax", the Company and its subsidiaries are subject to output VAT levied at the rate of 17% of their operating revenue. The input VAT paid on purchases of coal, water, materials and other direct inputs can be used to offset the output VAT levied on operating revenue to determine the net VAT payable.

(q) Related companies

Companies are considered to be related if one company has the ability, directly or indirectly, to control the other company or exercise significant influence over the other company in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

(r) Operating leases

Leases of assets under which substantially all the risks and rewards of ownership are effectively retained by the lessor are accounted for as operating leases. Lease payments under an operating leases are charged to the income statement on a straight-line basis over the period of the relevant leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Foreign currency translation

The Company and its subsidiaries maintain their books and records in Rmb. Transactions in other currencies are translated into Rmb at exchange rates quoted by the People's Bank of China (the "PBOC") prevailing at the dates of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are re-translated into Rmb at exchange rates quoted by the PBOC prevailing at the balance sheet date. Non-monetary assets and liabilities in other currencies are translated at historical rates. Exchange differences arising on the settlement of monetary items at rates different from those at which they were initially recorded during the periods are recognised in the income statement in the period in which they arise.

(t) Retirement and staff housing benefits

Costs of retirement benefits are charged to income statement as incurred.

The Company and its subsidiaries also provide housing benefits to its employees. The cost of the housing benefits are amortised on a straight basis over the estimated average service life of relevant employees and included in other operating costs.

(u) Government Grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attached to them and that the grants will be received. Government grants are deferred and amortised into income over the period necessary to match them with the related costs that they are intended to compensate on a systematic basis. Grants contributed towards the acquisition of property, plant and equipment are accounted for as deferred income in the financial statements and to be recognised as income over the useful life of the asset. Income relating to government grants is recognised as a deduction from the appropriate expense.

(v) Borrowings

Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, including amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arranging borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs generally are expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying assets. Capitalisation of borrowing costs commences when the activities to prepare the asset are in progress and the expenditures and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are substantially ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(v) Borrowings (Cont'd)

Borrowings are initially recognised at the proceeds received, net of transaction costs. They are subsequently carried at amortised costs using the effective interest rate method.

(w) Impairment of assets

Financial instruments

Financial instruments are reviewed for impairment at each balance sheet date.

For financial assets carried at amortised cost, whenever it is probable that the company will not collect all amounts due according to the contractual terms of loans and receivables, an impairment or bad debt loss is recognised in the income statement.

Reversal of impairment losses previously recognised is recorded when the decrease in impairment loss can be objectively related to an event occurring after the write-down. Such reversal is recorded in income. However, the increased carrying amount is only recognised to the extent it does not exceed what amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets, the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period when there is objective evidence that the asset is impaired. The recoverable amount of a debt instrument remeasured to fair value is the present value of expected future cash flows discounted at the current market interest rates for a similar financial asset. A reversal of an impairment loss is recorded when the decrease in the impairment loss can be objectively related to an event occurring after the write down. Such reversal is recorded in income.

Other assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income statement for items of property, plant and equipment, land use rights, goodwill and deferred housing benefits carried at cost. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of disposal while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the assets belongs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) Impairment of assets (Cont'd)

Other assets (Cont'd)

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognised to the extent it does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for that asset in prior years.

As an exception, an impairment loss recognised for goodwill is not reversed in a subsequent period unless the impairment loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

(x) Contingencies

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

(y) Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (i.e. adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

31st December 2001
(All amounts expressed in Rmb unless otherwise stated)

3. PROPERTY, PLANT AND EQUIPMENT, NET

	Company and its subsidiaries					
	2001					2000
	Buildings	Electric utility plants in service	Transportation facilities, computers and others	Construction-in-Progress	Total	Total
	'000	'000	'000	'000	'000	'000 (Note 4)
Cost						
Beginning of year	836,325	13,121,296	331,500	3,887,299	18,176,420	14,313,071
Addition	18,136	1,577	25,179	3,574,168	3,619,060	3,420,235
Acquisitions (Note 1)	170	—	1,415	15,340	16,925	966,121
Disposals	(116,845)	(74,747)	(7,896)	—	(199,488)	(523,007)
Transfer in/(out)	742,965	2,884,199	91,336	(3,718,500)	—	—
End of year	1,480,751	15,932,325	441,534	3,758,307	21,612,917	18,176,420
Accumulated Depreciation						
Beginning of year	128,153	3,439,451	138,871	—	3,706,475	2,868,235
Charge for the year	9,337	1,034,041	37,992	—	1,081,370	904,356
Written back on disposals	(516)	(35,860)	(4,413)	—	(40,789)	(66,116)
End of year	136,974	4,437,632	172,450	—	4,747,056	3,706,475
Net book value						
End of year	1,343,777	11,494,693	269,084	3,758,307	16,865,861	14,469,945
Beginning of year	708,172	9,681,845	192,629	3,887,299	14,469,945	11,444,836

3. **PROPERTY, PLANT AND EQUIPMENT, NET** (CONT'D)

	Company					
	2001					2000
	Buildings	Electric utility plants in service	Transportation facilities, computers and others	Construction-in-Progress	Total	Total
	'000	'000	'000	'000	'000	'000 (Note 4)
Cost						
Beginning of year	803,565	13,116,670	319,429	583,045	14,822,709	13,063,902
Addition	5,073	397	16,011	880,437	901,918	1,414,064
Acquisitions	—	—	—	—	—	867,447
Disposals	(116,845)	(74,747)	(7,896)	—	(199,488)	(522,704)
Transfer in/(out)	181,847	1,186,249	21,066	(1,389,162)	—	—
End of year	873,640	14,228,569	348,610	74,320	15,525,139	14,822,709
Accumulated Depreciation						
Beginning of year	128,153	3,439,451	138,871	—	3,706,475	2,868,235
Charge for the year	6,649	1,031,389	32,181	—	1,070,219	904,356
Disposals	(516)	(35,860)	(4,413)	—	(40,789)	(66,116)
End of year	134,286	4,434,980	166,639	—	4,735,905	3,706,475
Net book value						
End of year	739,354	9,793,589	181,971	74,320	10,789,234	11,116,234
Beginning of year	675,412	9,677,219	180,558	583,045	11,116,234	10,195,667

Certain items of property, plant and equipment of the Company and its subsidiaries with gross carrying amounts of approximately Rmb26,158,000 (2000 — Rmb10,562,000) were fully depreciated as at 31st December 2001, but these items are still in active use.

There was no write down of any property, plant and equipment during the year.

4. LAND USE RIGHTS

Land in the PRC is owned by the State and no individual land ownership right exists. In prior years, land use rights were recorded as property, plant and equipment in the balance sheet. Following the introduction of IAS 40, Investment Property, it is concluded that all interests in property held under operating lease should be dealt with in accordance with IAS 17, Leases. As a result, land use rights were excluded from the classification of property, plant and equipment. Cost of land use rights are recognised as an expense on a straight line basis over the lease term and included in other operating costs. Comparative figures have been reclassified to conform to current year presentation.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2001	2000
	'000	'000
Unlisted shares, at cost	**1,002,084**	864,775
Amounts due from subsidiaries	**325,470**	202,360
	1,327,554	1,067,135

Balances with subsidiaries were unsecured, non-interest bearing and had no fixed repayment date. The Company's directors are of the opinion that the recoverable value of the subsidiaries was not less than the Company's carrying value of the subsidiaries as at year end.

6. 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 under equity method. The Company's proportionate share of the operating results of the associate for the year ended 31st December 2001 was approximately Rmb4 million.

7. INVESTMENTS

Available-for-sale investments

Available-for-sale investments represent a 16% equity investment (unlisted) in NCPG Finance Company Ltd. and 1.8% equity investment (unlisted) in Zhongneng United Utility Fuel Limited Company ("ZUUFLC") and are stated at cost. NCPG Finance Company Ltd. is a non-bank financial institution providing financing services to entities controlled by NCPGC. ZUUFLC is a limited liability company providing fuel information consulting and other related services to its shareholders.

These investments do not have a quoted market price in an active market. In addition, the principal activities of these investees are to provide services exclusively to their shareholders and their affiliates. There are no appropriate methods to reliably measure their fair values. Accordingly, these investments are stated at cost and subject to review for impairment loss.

7. INVESTMENTS (CONT'D)

Investments held for trading

Government bonds that were acquired for the purpose of generating a profit from short-term fluctuation in price are classified as investments 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 financial income for the period. For the year ended 31st December 2001, the changes in fair value of government bonds are not material.

8. GOODWILL

Goodwill arose from the acquisition of ZJK Unit 2. It is accounted for by using the purchase method of accounting.

	2001	2000
	'000	'000
Cost		
Beginning of year	57,363	—
Addition	—	57,363
End of year	57,363	57,363
Accumulated amortisation		
Beginning of year	(1,434)	—
Charge for the year	(5,592)	(1,434)
End of year	(7,026)	(1,434)
Net book value		
End of year	50,337	55,929
Beginning of year	55,929	—

9. DEFERRED HOUSING BENEFITS

The Company and its subsidiaries 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 for them to buy staff quarters from the Company and its subsidiaries at preferential prices calculated based on their length of service and position pursuant to the prevailing local regulations. The estimated housing benefits are expected to benefit the Company and its subsidiaries over ten years which is the estimated remaining average service life of the relevant employees. Upon completion of the sales of staff quarters to the employees, the housing benefits incurred is recorded as a deferred asset to be amortised over the remaining average service life of the relevant employees.

	2001	2000
	'000	'000
Cost		
Beginning of year	272,018	—
Addition	70,819	272,018
End of year	342,837	272,018
Accumulated amortisation		
Beginning of year	(42,500)	—
Charge for the year	(39,042)	(42,500)
End of year	(81,542)	(42,500)
Net book value		
End of year	261,295	229,518
Beginning of year	229,518	—

10. INVENTORIES

	Company and its subsidiaries		Company	
	2001	2000	2001	2000
	'000	'000	'000	'000
Fuel	90,705	85,804	62,678	85,804
Spare parts and consumable supplies	168,309	171,896	167,524	171,755
	259,014	257,700	230,202	257,559

11. SHORT-TERM BANK DEPOSITS FOR OVER THREE MONTHS

Short-term bank deposits for over three months consist of fixed-term deposits denominated in Rmb, Hong Kong dollar or United States dollar with original maturities ranging from more than three months to one year.

12. CASH AND CASH EQUIVALENTS

	Company and its subsidiaries		Company	
	2001	2000	**2001**	2000
	'000	'000	**'000**	'000
Cash at bank and in hand	**673,122**	227,906	**634,571**	162,273
Short-term bank deposits	**600,000**	980,000	**600,000**	980,000
	1,273,122	1,207,906	**1,234,571**	1,142,273

13. SHARE CAPITAL

As at 31st December 2001 and 2000, the authorised share capital of the Company was Rmb5,162,849,000, divided into 5,162,849,000 shares of Rmb1 each. In addition, the issued and fully paid share capital of the Company as at 31st December 2001 and 2000 was as follows:

	Number of shares	Nominal value	Share interest percentage
	'000	Rmb'000	%
Domestic shares	3,732,180	3,732,180	72.29
Overseas public shares ("H shares")	1,430,669	1,430,669	27.71
	5,162,849	5,162,849	100.00

14. RESERVES

(a) Capital reserve

Capital reserve mainly represents the difference between the nominal amount of the domestic shares issued and the value of the net assets injected during the Company's reorganisation as at 31st December 1994, and proceeds from the issuance of H shares in excess of their par value, net of expenses relating to the issuance of the shares in 1997.

14. RESERVES (CONT'D)

(b) Statutory surplus reserve

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 net profit, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such reserve reaches 50% of the Company's share capital, any further appropriation is optional.

The statutory surplus reserve can be used to offset prior year's losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such issue is not less than 25% of share capital.

(c) Statutory public welfare fund

In accordance with the Company's articles of association, 10% of its net profit is to be appropriated to a statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for the collective benefits of the Company's employees such as construction of dormitories, canteen and other staff welfare facilities. Title of these capital items will remain with the Company. This fund is non-distributable other than in liquidation.

Pursuant to document Cai Kuai Zi [1995] 14 issued by the Ministry of Finance of the PRC ("MOF"), when the Company purchases staff quarters, a transfer of the amount used to purchase such quarters should be made from the statutory public welfare fund to the statutory surplus reserve. For the year ended 31st December 2000, approximately Rmb130,532,000 were transferred from statutory public welfare fund to the statutory surplus reserve. In accordance with document Cai Kuai [2001] 5 (see note 14 (e) below), the document was abolished in 2001. Pursuant to the PRC Accounting Regulations for Business Enterprises, effective in 2001, statutory public welfare fund is transferred out to discretionary surplus reserve upon utilisation for collective benefits of the employees.

(d) Discretionary surplus reserve

In accordance with the Company's articles of association, the appropriation of profit to the discretionary surplus reserve and its utilisation are made in accordance with the recommendation of the Board of Directors and is subject to shareholders' approval at their general meeting. For the year ended 31st December 2001, appropriation of profit of approximately Rmb258,331,000 (2000 — Rmb583,955,000) to the discretionary surplus reserve was made in accordance with the recommendation of the Board of Directors and is subject to shareholders' approval at the next general meeting.

14. RESERVES (CONT'D)

(e) Restricted reserve

Pursuant to documents Cai Qi [2000] 295, Cai Qi [2000] 878 and Cai Kuai [2001] 5 issued by MOF, 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 Rmb258,881,000 which represented the remaining deferred housing benefits balance in relation to staff quarters sold approved by the government before 6th September 2000 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 (see Note 9 above). To reflect the reduction of the statutory public welfare fund, an amount equivalent to the corresponding deferred housing benefits balance was transferred from statutory public welfare fund to a restricted reserve specifically set up for this purpose. Upon amortisation of the deferred housing benefits, an amount equivalent to the amortisation for the period is transferred from the restricted reserve to retained earnings. For the year ended 31st December 2001, approximately Rmb32,360,000 had been transferred out from the restricted reserve.

(f) Basis for profit appropriations

In accordance with a document Cai Kuai Zi [1995] 31 issued by MOF, appropriations to statutory reserves are to be determined based on the financial statements prepared in accordance with the PRC accounting standards and regulations (PRC GAAP).

In addition, in accordance with the articles of association, the Company declares dividends based on the lower of retained earnings as reported in accordance with PRC GAAP and those reported in accordance with IAS after deduction of the current year's appropriations to the reserves. As at 31st December 2001, the amount of retained earnings as determined under IAS was less than that determined under PRC GAAP by approximately Rmb39 million.

(g) The profit attributable to shareholders for the year ended 31st December 2001 includes a profit of approximately Rmb1,389,345,000 (2000 — Rmb1,375,300,000) which has been dealt with in the accounts of the Company.

15. LONG-TERM LOANS

As at 31st December 2001, long-term loans include long-term bank loans, long-term loan payable to NCPGC and other long-term loans as follows:

	Company and its subsidiaries		Company	
	2001	2000	**2001**	2000
	'000	'000	**'000**	'000
Long-term bank loans (a)	**5,993,310**	4,554,824	**2,966,000**	3,298,742
Long-term loan payable to NCPGC (b)	**5,660**	11,320	**5,660**	11,320
Other long-term loans (c)	**590,450**	322,599	**—**	—
	6,589,420	4,888,743	**2,971,660**	3,310,062
Less: Amounts due within one year included under current liabilities	**(360,356)**	(261,647)	**(196,660)**	(209,660)
	6,229,064	4,627,096	**2,775,000**	3,100,402

(a) Long-term bank loans

As at 31st December 2001, all long-term bank loans were denominated in Rmb, unsecured and bore interest at a rate of 6.21% (2000 — 6.21% to 6.57%) per annum. Approximately Rmb2,656 million (2000 — Rmb2,650 million) and Rmb877 million (2000 — Rmb387 million) of the loans were guaranteed respectively by NCPGC and minority shareholders of the subsidiaries according to their shareholding percentage in the subsidiaries.

The long-term bank loans, as summarised below, were drawn to finance the construction of electric utility plants:

	Company and its subsidiaries		Company	
	2001	2000	**2001**	2000
	'000	'000	**'000**	'000
Amounts repayable				
Within one year	**311,000**	204,000	**191,000**	204,000
Between one to two years	**482,000**	341,000	**242,000**	221,000
Between two to five years	**2,402,501**	1,674,082	**747,000**	729,000
Over five years	**2,797,809**	2,335,742	**1,786,000**	2,144,742
	5,993,310	4,554,824	**2,966,000**	3,298,742

15. LONG-TERM LOANS (CONT'D)

(b) Long-term loan payable to NCPGC

As at 31st December 2001, long-term loan payable to NCPGC, as summarised below, was denominated in Rmb, unsecured and non-interest bearing, was drawn to finance the construction of electric utility plants:

	Company and its subsidiaries		Company	
	2001	2000	**2001**	2000
	'000	'000	**'000**	'000
Amounts repayable				
Within one year	**5,660**	5,660	**5,660**	5,660
Between one to two years	**—**	5,660	**—**	5,660
	5,660	11,320	**5,660**	11,320

(c) Other long-term loans

Other long-term loans were borrowed by MOF from International Bank for Reconstruction and Development ("World Bank") and on-lent to the Company's subsidiary for the construction of Datang Tuoketuo Power Plant ("Tuoketuo Power") and were as follows:

	Company and its subsidiaries	
	2001	2000
	'000	'000
Amounts repayable		
Within one year	**43,696**	51,987
One to two year	**152,746**	—
Between two to five years	**394,008**	270,612
	590,450	322,599

All these loans are denominated in United States dollar and unsecured. Except that approximately Rmb10 million of these loans bore interest at a rate of 3%, other long-term loans bore interest at the rate of LIBOR Base Rate plus LIBOR Total Spread as defined in the loan agreement between MOF and World Bank, which was approximated 4.01% to 7.08% (2000 — 6.39% to 7.08%) per annum during the year ended 31st December 2001. In accordance with a guarantee agreement between NCPGC and MOF, NCPGC agreed to guarantee 60% of the loan balances. As at 31st December 2001, approximately Rmb348 million (2000 — Rmb194 million) of the loans were guaranteed by NCPGC, which were also counter-guaranteed by the Company.

16. SHORT-TERM LOANS

Short-term loans, as summarised below, were drawn by the Company's subsidiaries for the construction of Tuoketuo Power and Huaze Hydropower Project:

	2001	2000
	'000	'000
Short-term bank loans	188,000	—
Short-term loan payable to NCPG Finance Company Ltd.	53,120	190,000
	241,120	190,000

As at 31st December 2001, all short-term loans were denominated in Rmb, unsecured and bore interest at a rate of 5.85% (2000 — 5.58%) per annum. Short-term loan payable to NCPG Finance Co., Ltd. of approximately Rmb53,120,000 (2000 — Rmb48,000,000) was guaranteed by Inner Mongolia Mengdian Huaneng Power Generation Company Limited ("IMPC") (2000 — IMPC and Beijing International Power Development and Investment Company).

17. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities comprised:

	Company and its subsidiaries		Company	
	2001	2000	2001	2000
	'000	'000	'000	'000
Construction costs and deposits payable to contractors	835,982	489,404	429,378	301,600
Fuel and material costs payables	283,145	318,675	280,703	318,630
Salary and welfare payable	127,236	147,163	126,699	147,013
Government grants	94,588	74,589	94,588	74,589
Others	157,237	129,455	124,009	119,577
	1,498,188	1,159,286	1,055,377	961,409

The Company received government grants from local environmental protection authorities for undertaking approved environmental protection projects. As at 31st December 2001, all the government grants received have not been utilised.

As at 31st December 2001, except that certain quality guarantee deposits for construction were aged between one to two years, substantially all accounts payable were aged within one year.

18. RETIREMENT AND STAFF HOUSING BENEFITS

Retirement benefits

The Company and its subsidiaries are required to make specific contributions to the state-sponsored retirement plan at a rate of 19% (2000 — 18%) of the total salaries of the PRC employees. The PRC government is responsible for the pension liability to the retired employees. The employees of the Company and its subsidiaries are entitled to a monthly pension at their retirement dates.

In addition, the Company and its subsidiaries have implemented a supplementary defined contribution retirement scheme. Under this scheme, the employees of the Company and its subsidiaries have to make a specified contribution based on the number of working years of the employees and the Company and its subsidiaries are required to make a contribution equal to twice the staff's contributions. Moreover, the Company and its subsidiaries may, at their discretion, provide additional contributions to the retirement fund depending on the operating results of the year. The employees will receive the total contributions upon retirement or under specific circumstances.

The total retirement plan contributions paid by the Company and its subsidiaries during the year ended 31st December 2001 pursuant to these arrangements amounted to approximately Rmb148,484,000 (2000 — Rmb109,913,000).

Housing scheme

In accordance with the PRC housing reform regulations, the Company and its subsidiaries are required to make contributions to the state-sponsored housing fund at 8%–10% of the specified salary amount of the PRC employees. At the same time, the employees are required to make a contribution equal to the Company and its subsidiaries' contributions out of their payroll. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Company and its subsidiaries have no further obligation for housing benefits beyond the above contributions made. For the year ended 31st December 2001, the Company contributed approximately Rmb11,843,000 (2000 — Rmb12,141,000) to the fund.

In addition, the Company and its subsidiaries 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 their staff for them to buy staff quarters from the Company and its subsidiaries (see Note 9 above).

19. OPERATING PROFIT

Operating profit was determined after charging (crediting) the following:

	2001	2000
	'000	'000
Loss on disposals of property, plant and equipment	41,899	58,699
Amortisation of goodwill	5,592	1,434
Personnel expenses		
— Wages	204,611	136,064
— Retirement benefits	113,187	108,345
— Staff housing benefits	51,775	54,641
— Other staff costs	94,225	74,137
Auditors' remuneration	5,300	5,000
Cost of inventories		
— Fuel	1,954,115	1,686,775
— Spare parts and consumable supplies	46,233	38,912
Operating lease		
— Buildings	15,340	15,103
— Land use rights	6,371	5,433
Dividend income	(5,479)	(6,646)

20. FINANCE COSTS

	2001	2000
	'000	'000
Interest expenses on:		
Short-term bank loans	17,523	13,683
Short-term loans payable to NCPG Finance Company Ltd.	12,806	1,096
Long-term bank loans		
— wholly repayable within five years	12,731	17,085
— repayable beyond five years	276,217	189,531
Long-term loans payable to shareholders		
— wholly repayable within five years	—	4,460
Other long-term loans		
— wholly repayable within five years	32,027	51,987
	351,304	277,842
Less: amount capitalised in property, plant and equipment	(251,884)	(138,145)
Total interest expenses	99,420	139,697
Exchange loss, net	554	4,946
	99,974	144,643

For the year ended 31st December 2001, The interest rates on the loans for which interest has been capitalised varied from 3% to 7.08% (2000 — 1% to 8.01%) per annum.

21. TAXATION

	2001	2000
	'000	'000
PRC enterprise income tax		
— Current tax	691,552	695,257
— Deferred tax	22,940	—
	714,492	695,257

21. TAXATION (CONT'D)

Components of deferred tax assets and liabilities are as follows:

	Company and its subsidiaries	Company
	2001	**2001**
	'000	**'000**
Deferred tax assets		
Preliminary expenses	**10,630**	**—**
	10,630	**—**
Deferred tax liabilities		
Deferred housing benefits	**9,576**	**9,576**
Capitalisation of borrowing costs	**23,994**	**—**
	33,570	**9.576**

As at 31st December 2001, there were no significant unprovided deferred taxes.

22. RELATED PARTY TRANSACTIONS

(a) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year:

	Note	2001	2000
		'000	'000
Tariff revenue from NCPGC	(i)	**6,550,620**	5,694,195
Management fee to NCPGC	(ii)	**24,297**	20,751
Fuel service fee to divisions and affiliates of NCPGC	(ii)	**23,909**	22,873
Ash disposal fee to divisions and affiliates of NCPGC	(ii)	**75,861**	82,209
Rental fee to NCPGC	(ii)	**8,494**	9,700
Technical supervision, assistance and testing service fee to an associate	b	**22,104**	—
Interest income from NCPG Finance Company Ltd.	c	**2,462**	2,324
Interest expenses to NCPG Finance Company Ltd.	d	**12,806**	5,556
Dividend income from NCPG Finance Company Ltd.		**5,479**	6,646
Construction and equipment costs to affiliates of NCPGC	e	**763,171**	698,660

22. RELATED PARTY TRANSACTIONS (CONT'D)

(i) All of the Company's sales of on-grid electricity for the year were made to NCPGC. Pursuant to the Power Purchase Agreement dated 5th August 1996, the Company is required to sell its entire net generation of electricity to NCPGC at an approved tariff rate as determined based on a regulatory process, under the cost recovery framework. The tariff rates allow the Company to recover all operating and debt service costs, and taxes, and to earn a reasonable return on its rate base comprising the average net book value of fixed assets (including construction-in-progress), after deducting the relevant interest expenses of the fixed asset construction loans. The tariff rates determined on this basis are subject to the approval of the relevant government authorities.

(ii) In addition to the Power Purchase Agreement, the Company has also entered into a number of agreements with NCPGC and its affiliates. Details of the major agreements are as follows:

Name of agreement	Services to be provided by NCPGC	Pricing policy
Production and Construction Management Services Agreement	Management services in relation to the production and construction of electric utility plants	Management fee at Rmb0.001/KWh of on-grid electricity
Fuel Supply Agreement	Fuel purchase, delivery and technical assistance services	Fuel service fee at 1% to 3% of the cost of coal purchased
Ash Disposal Agreement	Disposal of all ash generated by the Company's power plants	Ash disposal fee computed based on ash disposal operating costs, taxes, depreciation of ash yards and a profit margin at 5% to 10% of the total costs
Building Lease Agreement	Lease of buildings located at the sites of the Company's power plants totalling 141,671 square metres	Annual rental fee of approximately Rmb7 million

22. RELATED PARTY TRANSACTIONS (CONT'D)

(b) The Company's associate, North China Electric Power Research Institute Company Limited, provides technical supervision, assistance and testing services to the Company and its subsidiaries in relation to the power generation equipment and facilities. Pursuant to the Technical Supervision Services Contract, such services are charged at pre-determined rate based on the installed capacity of the Company and its subsidiaries.

(c) As at 31st December 2001, cash and cash equivalents of approximately Rmb48,875,000 (2000 — Rmb62,790,000) were deposited with NCPG Finance Company Ltd. at the prevailing market interest rate of 0.99% (2000 — 0.99%).

(d) As discussed in Notes 15 and 16 above, NCPGC, Tianjin Jinneng Investment Company, IMPC and Beijing International Power Development and Investment Company had provided guarantees to the Company and its subsidiaries' loans totalling approximately Rmb3,934 million (2000 — Rmb3,279 million) as at 31st December 2001. In addition, as discussed in Notes 15 and 16 above, the Company and its subsidiaries had loans payable to NCPGC and NCPG Finance Company Ltd. totalling approximately Rmb58,780,000 (2000 — Rmb201,320,000) as at 31st December 2001.

(e) The majority of the construction works of Zhangjiakou Power Plant Phase II, Tuoketuo Power and Panshan Power Plant were carried out respectively by Shanxi Power Electric Construction No. 1 Company, Beijing Electric Construction Company and Tianjin Electric Construction Company. In addition, Beijing Electric Equipment Plant supplied certain electric equipment for the construction works of Zhangjiakou Power Plant to the Company. All of these Companies are subsidiaries of NCPGC. The total contracted amount related to these construction works amounted to approximately Rmb2 billion.

As at 31st December 2001, balances due to these related contractors amounted to approximately Rmb74,540,000 (2000 — Rmb64,470,000) and were included in accounts payables.

(f) 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 Rmb93 million (2000 — Rmb88 million) to the Company and its subsidiaries. As at 31st December 2001, balances due from and to these companies amounted to approximately Rmb12,166,000 (2000 — Rmb1,867,000) and Rmb6,639,000 (2000 — Rmb10,614,000), and were included in other receivables and accounts payable respectively.

(g) The balance due from a shareholder mainly represents 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 in the Power Purchase Agreement. As at 31st December 2001, all tariff receivable from NCPGC was aged within one month.

23. DIRECTORS', SENIOR EXECUTIVES' AND SUPERVISORS' EMOLUMENTS

(a) Details of directors' and supervisors' emoluments were:

	2001	2000
	'000	'000
Fees for executive directors, non-executive directors and supervisors	—	—
Other emoluments for executive directors		
— basic salaries and allowances	216	482
— bonus	202	292
— retirement benefits	113	194
Other emoluments for non-executive directors	780	729
Other emoluments for supervisors	291	324

Pursuant to the resolution of shareholders' meeting on 29th April 2001, a directors' and senior executives' special bonus of approximately Rmb1,375,300 was provided for the year ended 31st December 2000.

No director had waived or agreed to waive any emoluments during the year.

(b) Details of emoluments paid to the five highest paid individuals including directors and senior management were:

	2001	2000
	'000	'000
Basic salaries and allowances	426	367
Bonus	254	223
Retirement benefits	163	148

For the year ended 31st December 2001, no emolument was paid to directors, supervisors and the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

For the year ended 31st December 2001, the annual emoluments paid to each of the directors, supervisors and the five highest paid individuals did not exceed Rmb1,000,000.

24. DIVIDENDS

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 dividends distribution was approved by the shareholders in the general meeting dated 29th April 2001.

On 5th March 2002, the Board of Directors proposed a dividend of Rmb0.17 per share, totalling approximately Rmb877,684,000 for the year ended 31st December 2001. The proposed dividends distribution is subject to the shareholders' approval in their general meeting.

25. EARNINGS PER SHARE AND DIVIDEND PER SHARE

The calculation of earnings per share for the year ended 31st December 2001 was based on the net profit of approximately Rmb1,438,060,000 (2000 — Rmb1,375,300,000) and on the weighted average number of 5,162,849,000 shares (2000 — 5,162,849,000 shares) in issue during the year.

Proposed dividend per share for the year ended 31st December 2001 was calculated based on the proposed dividends of approximately Rmb877,684,000 (2000 — Rmb516,285,000) divided by the number of 5,162,849,000 shares (2000 — 5,162,849,000 shares) in issue as at 31st December 2001.

No diluted earnings per share was presented as there were no dilutive potential ordinary shares outstanding for the years ended 31st December 2001 and 2000.

26. NOTES TO STATEMENT OF CASH FLOWS

(a) Reconciliation from profit before taxation to cash generated from operations:

	2001	2000
	'000	'000
Profit before taxation	2,146,161	2,070,557
Adjustments for:		
Depreciation of property, plant and equipment	1,071,866	904,356
Amortisation of goodwill	5,592	1,434
Cost of land use rights	6,371	5,433
Amortisation of deferred housing benefits	39,042	42,500
Loss on disposals of property, plant and equipment	41,899	58,699
Gains on disposals of investments held for trading	(5,232)	—
Interest income	(144,507)	(171,698)
Interest expenses	99,420	139,697
Dividends income	(5,479)	(6,646)
Share of profit from an associate	(3,913)	—
Operating profit before working capital changes	3,251,220	3,044,332
(Increase) decrease in current assets:		
Inventories	12,898	(18,945)
Other receivables and current assets	(10,331)	7,213
Due from a shareholder	(127,250)	(111,598)
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	1,969	206,257
Taxes payable	(7,299)	19,356
Cash provided by operations	3,121,207	3,146,615

26. NOTES TO STATEMENT OF CASH FLOWS (CONT'D)

(b) Acquisition of Datang Shentou

	2001
	'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 interest	(8,000)
Purchase price	12,000
Less: cash and cash equivalents	(1,204)
Net cash flow	10,796

(c) Acquisition of Datang Pingwang

	2001
	'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	(3,947)
Minority interest	(2,000)
Purchase price	8,000
Less: cash and cash equivalents	(4,282)
Net cash flow	3,718

(d) Significant non-cash transaction

The Company and its subsidiaries incurred additional payable of approximately Rmb347 million (2000 — Rmb245 million) to contractors and equipment suppliers for construction-in-progress during the year ended 31st December 2001.

26. NOTES TO STATEMENT OF CASH FLOWS (CONT'D)

(e) Undrawn borrowing facilities

As at 31st December 2001, the undrawn borrowing facilities in Rmb and United States dollar available to settle the Company and its subsidiaries' capital commitment for construction of electric utility plants amounted to approximately Rmb10,930 million (2000 — Rmb6,538 million).

The above borrowing facilities as at 31st December 2001 were made available in accordance with the estimated financial requirements of the projects as follows:

	Company and its subsidiaries	Company
	'000	'000
Amount to be drawn down:		
Within one year	7,969,748	5,108,610
Between one to two years	1,394,269	350,000
Between two to five years	1,566,475	999,840
	10,930,492	6,458,450

On 28th February 2001, the Company and the Bank of China ("BOC") entered into a banking facilities agreement, according to which, BOC agreed to grant an unsecured credit line to the Company amounted to approximately Rmb5 billion, in relation to project acquisition and construction bridge loans and trade finance, for a period of one year.

27. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS

The Company and its subsidiaries conduct their operations in the PRC and expose to market risks from changes in interest and foreign exchange rates. In addition, they are also subject to special considerations and risks including risks associated with, among others, the political, economic and legal environment, restructuring of the PRC electric power industry and regulatory reform, new regulation pertaining to the setting of power tariff and availability of fuel supply at stable price.

Risk management policies are approved by senior management of the Company and carried out by a central planning department in close co-operation with the operating units of the Company and its subsidiaries.

27. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS (CONT'D)

(a) Credit risk

All of the Company's sales of on-grid electricity for the year was made to NCPGC (see Note 22 above). In addition, ten largest suppliers represented approximately 77% (2000 — 72%) of the purchase of the Company for the year ended 31st December 2001.

Significant portion of the Company's cash and cash equivalents and bank deposits over three months are deposited with the four largest state-owned banks of the PRC.

The Company and its subsidiaries do not guarantee obligations of other parties except for the Company's proportionate share of the loans of its subsidiaries. The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments (see Note 27(b) below), in the balance sheet. Because counterparty to derivatives is a prime financial institution, the Company does not expect the counterparty to fail to meet its obligation. Consequently, the Company considers that its maximum exposure is reflected by the amount of trade receivables and other current assets, net of provisions for impairment recognised at the balance sheet date.

(b) Interest rate risk

The floating rate loans expose the Company and its subsidiaries to interest risk. The Company and its subsidiaries use derivative instruments, to the extent available in the PRC, to manage exposures to fluctuation in interest rates. When considered appropriate, the Company would use interest rate swap to manage the relative level of its exposure to fair value and cash flow interest rate risk associated with borrowings with floating interest rates.

Datang Tuoketuo, the Company's subsidiary has entered into an interest rate swap agreement effective from 15th January 2002 with a foreign financial institution through the MOF to convert certain floating rate bank loans into fixed rate debt to hedge against interest rate risk. Notional amount of the swap agreement varies in according to the estimated financial requirements of Tuoketuo Power and ranged from approximately United States dollars 186 million to United States dollars 220 million. The maturity date was at 15th January 2012. With the adoption of IAS 39, the Company carries them at fair value.

The interest rate and schedule of long-term loan repayment are disclosed in Note 15 above.

27. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS (CONT'D)

(c) Liquidity risk

The Company's policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments in the construction of power plants. The amount of undrawn credit facilities at the balance sheet date are disclosed in Note 26(e) above.

Any excess cash is invested mostly in government bonds which are actively traded and short-term deposits over three months (see Notes 7 and 11 above).

(d) Foreign currency risk

The Company's businesses are principally conducted in Rmb, except that purchases of certain electric utility plant equipment are in United States dollar. Dividends to shareholders holding H Shares are declared in Rmb and paid in Hong Kong dollar. As at 31st December 2001, all of the Company's assets and liabilities were denominated in Rmb except that cash and bank deposits of approximately Rmb2,522 million (2000 — Rmb2,448 million) and long-term loans of approximately Rmb590 million (2000 — Rmb333 million) were denominated in foreign currencies, principally in United States and Hong Kong dollars. Since the amount of the loans denominated in United States dollar are matched by the foreign currency denominated bank deposits, the foreign currency risk is not significant to the Company and its subsidiaries.

(e) Fair values

The fair value of investments held for trading is estimated by reference to their quoted market price at the balance sheet date.

The principal financial instruments of the Company and its subsidiaries not carried at fair value are cash and cash equivalents, short-term bank deposits over three months, due from a shareholder, available-for-sale investments, accounts payable, short-term loans and long-term loans.

The carrying amounts of the Company and its subsidiaries' cash and cash equivalents, short-term bank deposits over three months, due from a shareholder, accounts payable and short-term loans approximate their fair values because of the short maturity of these instruments.

Available-for-sale investments are measured at cost as there is no quoted market price in an active market and whose fair value cannot be reliably measured (see Note 7 above).

The fair values of long-term loans including current portions of approximately Rmb6,587 million, (2000 — Rmb4,886 million) as at 31st December 2001, has been estimated by applying a discounted cash flow approach using interest rates available to the Company and its subsidiaries for comparable instruments. As at the same date, the book value of these liabilities was approximately Rmb6,589 million (2000 — Rmb4,889 million).

27. FINANCIAL INSTRUMENTS AND CONCENTRATION OF RISKS (CONT'D)

(e) Fair values (Cont'd)

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

28. COMMITMENTS

(a) Capital commitments

As at 31st December 2001, the Company had capital commitment relating to investments in subsidiaries amounted to approximately Rmb1,777 million. In addition, capital commitments of the Company and its subsidiaries in relation to the construction and renovation of the electric utility plants as at 31st December 2001 not provided for in the balance sheets were as follows:

	Company and its subsidiaries	Company
	'000	'000
Authorised and contracted for	3,161,708	271,879
Authorised but not contracted for	11,699,672	266,779
	14,861,380	538,658

(b) Operating lease commitment

As at 31st December 2001, operating lease commitment extending to November 2016 in relation to building was as follows:

	'000
Amounts payable	
Within one year	12,127
Between one to five years	41,071
Over five years	72,170
	125,368

29. SUBSEQUENT EVENT

(a) According to the general meeting of Datang Tuoketuo held on 15th January 2002, it was resolved that Datang Tuoketuo should continue to undertake construction of Tuoketuo Power Plant Phase II. The estimated total investment of Tuoketuo Power Plant Phase II is approximately Rmb4 billion, of which, the Company is committed to invest approximately Rmb480 million as the additional capital contribution.

(b) On 21st February 2002, Datang Tangshan was established as a limited liability company in the PRC, to construct and operate the technological renovation project of replacing small units with larger units of Phase I & II of Hebei Datang Tangshan Thermal Plant. The estimated total investment of Datang Tangshan is approximately Rmb2.7 billion, of which, the Company is committed to invest approximately Rmb434 million as the capital contribution.

30. ADDITIONAL FINANCIAL INFORMATION

As at 31st December 2001, net current assets, total assets less current liabilities and net assets of the Company and its subsidiaries amounted to approximately Rmb3,132 million (2000 — Rmb2,880 million), Rmb20,645 million (2000 — Rmb17,961 million) and Rmb13,852 million (2000 — Rmb12,931 million), respectively.