

Chairman's Statement



To all shareholders:

In 2002, Beijing Datang Power exuded its confidence in the fast-growing Chinese economy and the rapid increase in electricity demand, and made use of its foresighted grasp of the cyclical patterns of the country's power sector development. On that basis, the Company continued its strategies of growing from its operation base and focusing on efficiency enhancement, thereby achieving rapid development and strengthening its integral capacity.

As at 31st December 2002, consolidated total assets of the Company and its subsidiaries amounted to approximately Rmb26,819 million, an increase of approximately Rmb3,629 million over 2001 (the "Previous Year"). The gearing ratio was maintained at a healthy level of 43.00%. Consolidated operating revenue of the Company and its subsidiaries for year 2002 was approximately Rmb8,018 million, representing a growth of 22.40% over the Previous Year. Consolidated net profit of the Company and its subsidiaries (excluding the impact of interest rate swap) rose approximately 4.39%. If added the impact of the interest rate swap, consolidated net profit was approximately Rmb1.405 billion, representing a decrease of 2.33% over the Previous Year. Earnings per share was Rmb0.272, a decrease of Rmb0.006 over the Previous Year. Total installed capacity of the Company and its subsidiaries was 6,170MW, while installed capacity of projects under construction amounted to approximately 4,550MW. Today, the operating units and projects under construction of the Company and its subsidiaries cover a number of provinces, cities and autonomous regions such as Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia, Yunnan and Gansu. The Company intended to aggressively expand its reach towards coastal areas in southeastern China.

During 2002, the Company maintained a high level of production safety. The equivalent availability factor of the Company and its subsidiaries' generating units was 94.12%, and their power generation increased by 21.90% compared to the Previous Year. Coal consumption rate for electricity generation was 360.25 g/kWh, representing a decrease of 2.03g/kWh compared to the Previous Year. Consolidated power consumption rate decreased by 0.41 percentage point from the Previous Year to 6.67%.

The Chinese government has laid down a general objective to raise the standard of living of its people, and has fixed a target economic growth rate of 7% for year 2003. National demand for electricity is expected to maintain a high growth rate. The country's power sector reform plan is being steadily implemented, with CDT, a much stronger corporation with great development potentials, becoming the substantial shareholder of the Company. This presents unprecedented opportunity for Beijing Datang Power's future development. Hence, we must grasp the opportunity to meet challenges and to expand the operation scope to fuel the Company's future expansion.

For future development, we will continue to focus on expansion both within and beyond our service area. Our dual emphasis on both hydropower and coal-fired power, and on both new plants construction and existing plants acquisition, will remain unchanged. In the process, the Company will strive to achieve greater efficiency through growth, and growth through greater efficiency. It is also our objective to boost our competitiveness

through new management initiatives, system reforms and technological innovation.

To expand both within and beyond our service area means that we will consolidate our foothold in the Beijing-Tianjin-Tangshan ("BTT") Area, and at the same time establish new projects elsewhere in the PRC where we



have the cost advantage, the market advantage or the policy advantage, so as to minimise the operating risk of over-dependence on a single market.

Our dual emphasis on hydropower and coal-fired power is realised through aggressive development of hydropower operations in addition to our existing focused development of coal-fired power operations, with an aim to optimise the power generation structure of the Company. In particular, we will concentrate our resources on constructing medium-to-large-scale hydropower projects with reasonable construction costs in regions rich in water resources. The purpose is to minimise the operating risk of having a single power source and to improve the Company's capabilities for sustainable development.

The dual emphasis on new plants construction and existing plants acquisition, meanwhile, is pursued as below. We will accelerate the progress of securing the approval for and the construction of new projects to take advantage of the relatively low finance and equipment construction costs prevailing at present. The better control on construction costs will then be translated into reduced long-term operating costs and stronger competitive strengths of the Company. At the same time, the Company will also tap into the capital investment opportunities arising from the restructuring of China's power industry. It will actively seek acquisition targets from existing power plants to improve its overall profitability.

To achieve greater efficiency through growth, the Company will take a prudent approach in selecting projects for construction or acquisition for the best interests of the shareholders. On the other hand, to attain growth through greater efficiency, the Company and its subsidiaries will maintain an optimum speed of development and exercise stringent cost control, so as to sustain the healthy financial status and minimise the financial risks of the Company.

Human resources are vital for development. The key to success in future competition lies in recruiting and retaining quality professionals. As such, the Company will place particular emphasis on the development of human resources. In line with our people-oriented management philosophy, a general training programme and a professional training programme will be put in place to enhance the motivation and accountability of our staff, as well as to enhance the Company's cohesiveness.

The Company will continue to put investors' value on the top of its agenda, as it has done in the past. It will endeavour to maintain effective communication with shareholders and to enhance effectiveness and transparency of its management. It will seek to maintain a positive corporate image and to enhance shareholder value through carrying out various market-oriented initiatives and strengthening its influence in the market.

Last but not least, may I take this opportunity to express my 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

3rd March 2003





Expanding Our Operations,
Enhancing Our Competitiveness

