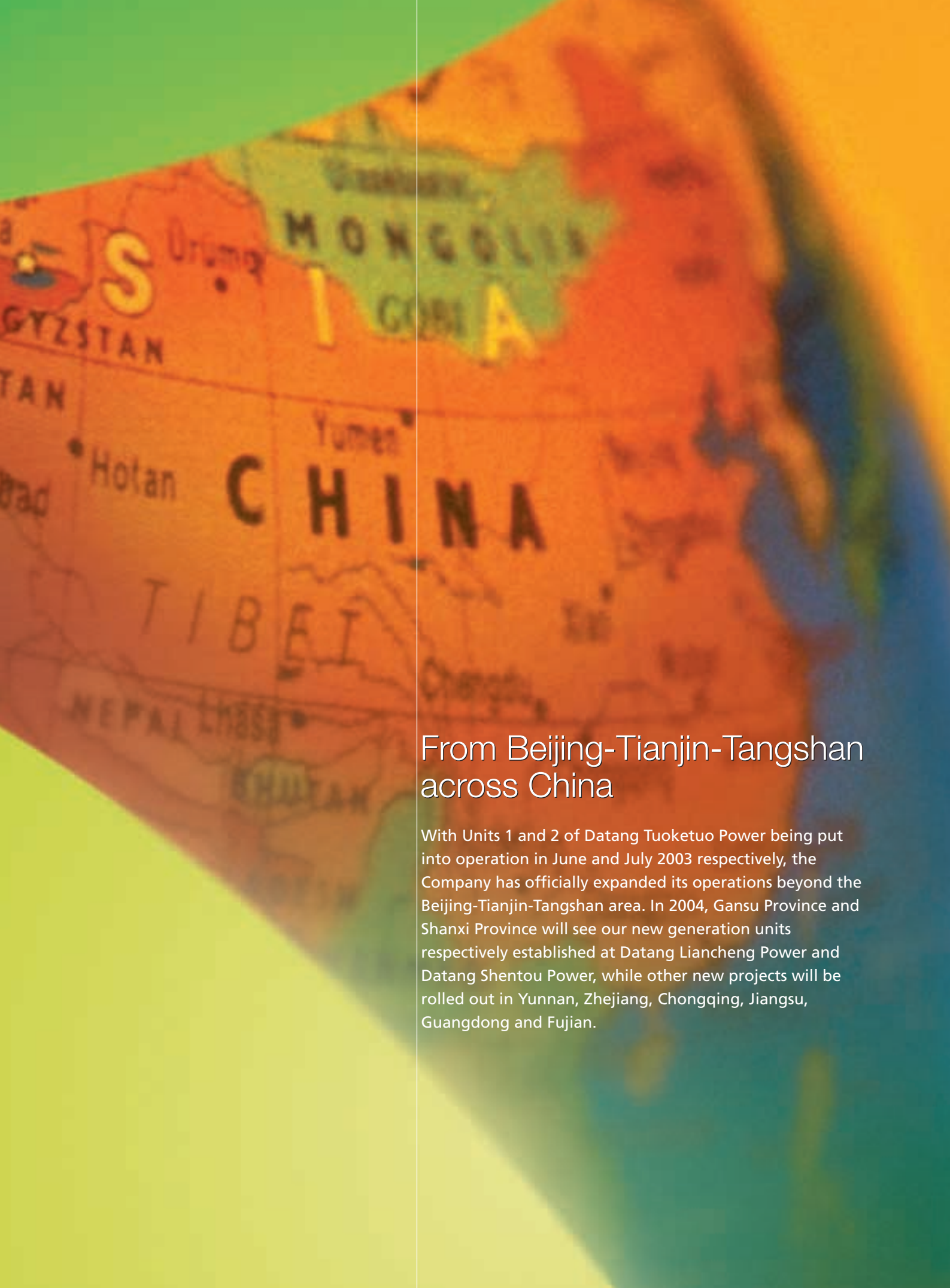


# *Beyond*

Geographical Boundaries



## From Beijing-Tianjin-Tangshan across China

With Units 1 and 2 of Datang Tuoketuo Power being put into operation in June and July 2003 respectively, the Company has officially expanded its operations beyond the Beijing-Tianjin-Tangshan area. In 2004, Gansu Province and Shanxi Province will see our new generation units respectively established at Datang Liancheng Power and Datang Shentou Power, while other new projects will be rolled out in Yunnan, Zhejiang, Chongqing, Jiangsu, Guangdong and Fujian.

# Chairman's Statement



## To all shareholders:

2003 saw Beijing Datang Power advance much beyond its “power base”. A year of leapfrogging growth thanks to its unwavering focus on development and profitability. A year during which the Company achieved encouraging results in production, operations and construction, securing rapid growth and enhancing its integral capabilities.

As at 31st December 2003, consolidated total assets of the Company and its subsidiaries amounted to approximately Rmb35,544 million, an increase of approximately Rmb8,724 million over 2002 (the "Previous Year"). The gearing ratio was 52.28%. Consolidated operating revenue amounted to approximately Rmb9,951 million, an increase of 24.10% over the Previous Year. Consolidated net profit amounted to approximately Rmb1,812 million, an increase of 28.99% over the Previous Year. Basic earnings per share was approximately Rmb0.35, an increase of RMB 0.08 over the Previous year. Total installed capacity of the Company and its subsidiaries amounted to 7,810MW.

In 2003, the Company continued to maintain a high level of safe production with an overall equivalent availability factor of 93.30%. Power generation by the Company increased by approximately 28.44% growth over the Previous Year. Coal consumption rate was approximately 356.5 gm/kWh, a decrease of approximately 3.75 gm/kWh over the Previous Year. Weighted self-consumption rate was approximately 6.18%, a decrease of 0.49 percentage-point compared to the Previous Year.

China's national economy maintained a continued, healthy and rapid growth in 2003, progressing smoothly towards the macro-economic objective of attaining moderate affluence. As such, China is expected to sustain rapid economic growth for a considerable period of time ahead, and power consumption is also expected to maintain substantial growth in tandem. National supply and demand of power in 2003 was characterised by overall shortage in supply and serious undersupply in certain regions, as opposed to the past scenario of overall balance despite shortage in selected regions. Given the pace of economic growth and the construction period required for power plants, power supply is expected to remain stretched in 2004, presenting a unique opportunity on which the Company will capitalise to facilitate further business expansion.

In 2004, the Company intends to pursue rapid, sustainable growth and swift enhancement of integral capabilities as strategic goals; to fulfil the objective of enhancing shareholders' value and maximising profitability; to focus on competitiveness domestically and abroad; to provide quality assurance by introducing innovations to internal systems, mechanisms and management methods; to operate on the basis of capacity expansion and the provision of high-quality and safe power supply to the public; and to gear up fully for rapid, sustainable development through the development, construction and operation of environment-friendly power plants utilising new forms of energy and technologies. All in all, we intend to build the Company into a large, technologically advanced and high-growth generation company with outstanding cost efficiency and cross-region, multi-faceted developments.





To achieve rapid, sustainable development and swift enhancement of integral capabilities, the Company must develop new power generation projects in other regions nationwide in which we enjoy advantages in terms of cost, market share and government policies, while consolidating its position in the Beijing-Tianjin-Tangshan (“BTT”) Area. To improve its ability for sustainable development, the Company must also actively develop hydropower projects in addition to its focus on coal-fired power, so as to secure a more balanced structure in power generation. In particular, hydropower projects of medium scale or above at reasonable costs should be developed in regions where rich hydro resources can be located.



To effectively enhance shareholders’ value and maximise profitability, the Company must exercise prudence in the development of new projects or in the acquisition of existing power plants to ensure protection for the interests of existing shareholders. Expansion moves should proceed in an appropriate pace, and stringent cost management should be exercised to ensure sound financial conditions and minimise financial risks at all times.

To enhance market competitiveness at home and abroad, the Company must step up approval procedures and construction works of its projects to capitalise on the relatively lower finance and equipment costs prevailing at the moment. Reductions in the Company’s long-term operating costs should be sought through cost controls over construction works, thereby minimising market risks.

To introduce innovations to internal systems, mechanisms and management methods, advanced management thinking and philosophies must be reflected in every single task to solidify management initiatives and improve management systems. Management should be people-oriented, with due focus on equipment management and human resource development. A mechanism for universal staff training should be developed, as are mechanisms for professional training and incentives for outstanding employees.

To provide high-quality and safe power for the public, the Company must develop, construct and operate environment-friendly power plants by utilising new forms of energy and technologies as a means to secure safe on-grid power supply.

Meanwhile, the Company will continue to count on investors for their views and opinions and will endeavour to seek effective communication with shareholders, so as to achieve high management effectiveness and transparency. We will enhance our efforts in communicating to the market in various forms, so as to cultivate the Company's influence in the market, in an endeavour to uphold its positive image and procure continued growth in shareholders' value.

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

**Zhai Ruoyu**

*Chairman*

17th March 2004