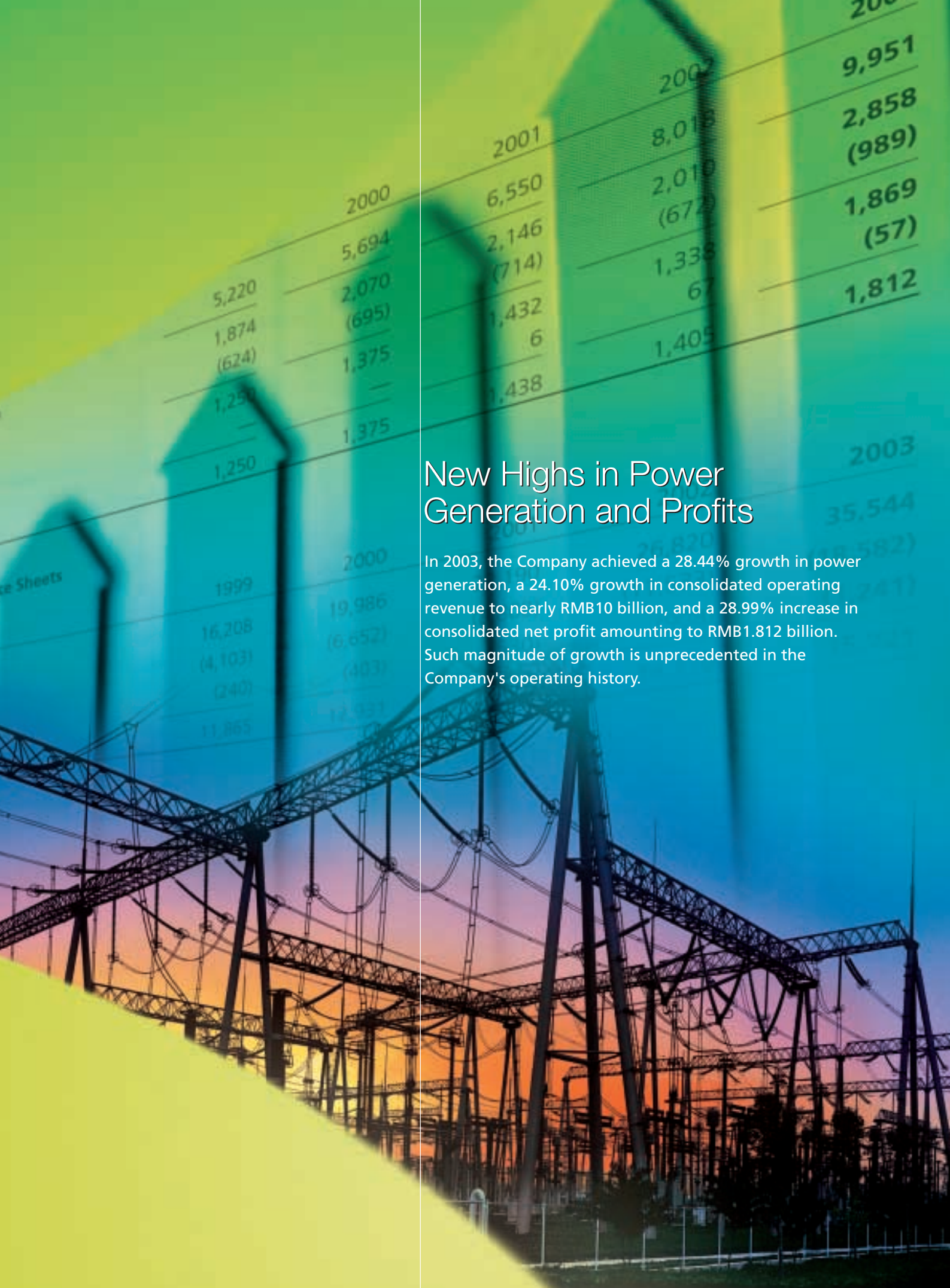




Above and

Beyond

the Past



New Highs in Power Generation and Profits

In 2003, the Company achieved a 28.44% growth in power generation, a 24.10% growth in consolidated operating revenue to nearly RMB10 billion, and a 28.99% increase in consolidated net profit amounting to RMB1.812 billion. Such magnitude of growth is unprecedented in the Company's operating history.

	2000	2001	2002	2003
	5,220	6,550	8,018	9,951
	1,874	2,146	2,010	2,858
	(624)	(714)	(672)	(989)
	1,250	1,432	1,338	1,869
	—	6	67	(57)
	1,250	1,438	1,405	1,812

	1999	2000
	16,208	19,986
	(4,103)	(6,652)
	(240)	(403)
	11,865	12,931

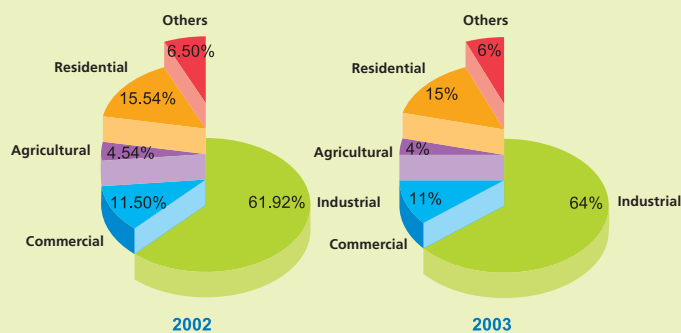
	2001	2002	2003
	26,820	34,000	35,544
	(8,582)	(8,582)	(8,582)
	(241)	(241)	(241)

Management Discussion and Analysis

(I) Operating Environment

China continued to enjoy steady economic growth in 2003 (the “Year”) with its national GDP growth rate of approximately 9.10%. Power consumption increased by 15.40% over the Previous Year nationwide in tandem with surges in power demand driven by domestic economic growth. Medium-to-large-scale industries remained the major driving force behind the growth in power demand, while consumption of residential and commercial sectors was also on the rise.

Currently, electricity generated by the Company and its subsidiaries is transmitted to the Beijing-Tianjin-Tangshan (the “BTT”) Power Grid. Sales of electricity in the BTT Area during the Year are analysed as follows:



(II) Business Review

Consolidated operating revenue of the Company and its subsidiaries for the Year was approximately Rmb9,951 million, representing an increase of approximately 24.10% as compared to the Previous Year. Consolidated net profit of the Company and its subsidiaries was Rmb1,812 million, representing an increase of approximately 28.99% as compared to the Previous Year. Basic earnings per share was approximately Rmb0.35, representing an increase of approximately Rmb0.08 per share as compared to the Previous Year.

Total power generation of the Company and its subsidiaries during the Year increased by 28.44% over the Previous Year. During the Year, the subsidiaries’ power generation units with total capacity of 1,640MW were put into operation, laying solid foundations for the Company’s ongoing development.

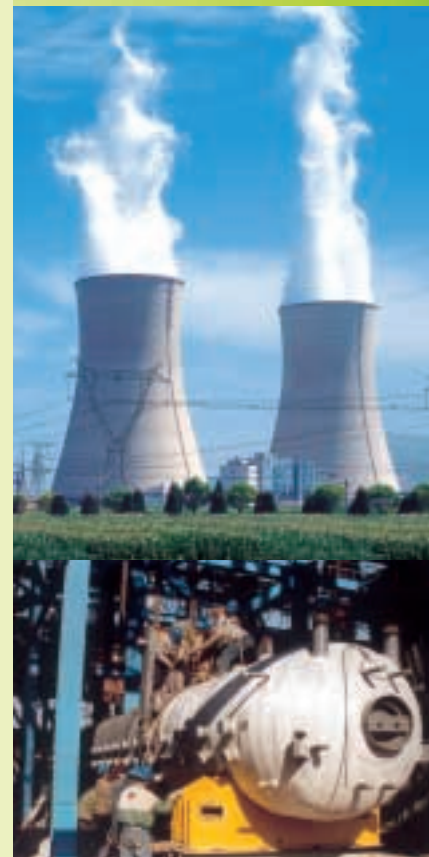
1. Production

As at 31 December 2003, the installed capacity (managed capacity) of operating units owned by the Company and its subsidiaries was 7,810 MW. Total power generation of the Company and its subsidiaries for the Year amounted to approximately 41.196 million MWh, representing an increase of approximately 28.44% over the Previous Year. Total on-grid electricity amounted to approximately 38.651 million MWh, representing an increase of approximately 29.11% over the Previous Year. The increase in power generation and on-grid electricity was mainly attributable to: (1)

the continuous increase in power demand - the nationwide power consumption increased by approximately 15.40% for the Year; (2) the increase in power generation capacity - with four units put into operation during the Year, the installed capacity managed by the Company and its subsidiaries increased by 1,640 MW over the Previous Year; (3) safe and stable operation of existing units at high operating levels - the equivalent availability factor reached approximately 93.30% during the Year; and (4) secured fuel supply - the increase in power demand during the Year driven by substantial economic growth had resulted in tension in coal supply. Under these unfavourable conditions, the Company and its subsidiaries proactively coordinated to further enhance effective resource allocation; actively identified new sources of coal supply and work closely with the mining and railway authorities. With the adoption of these effective measures, the Company and its subsidiaries have secured sufficient coal supply for their power plants and ensured their normal operation.

Operating conditions of the Company's major power plants during the Year were as follows:

- The power generation of the Company's power plants, namely Gao Jing Power Plant, Dou He Power Plant, Zhang Jia Kou Power Plant and Xia Hua Yuan Power Plant, with a total installed capacity of 4,950 MW, was approximately 30.104 million MWh during the Year.
- The power generation of units 1 and 2 of Datang Panshan Power, a subsidiary of the Company, with total installed capacity of 1,200 MW, was approximately 7.204 million MWh during the Year.
- The power generation of units 1 and 2 of Datang Fengning Hydropower, a subsidiary of the Company, with a total installed capacity of 20MW, was approximately 26 million kWh during the Year.



- Units 1 and 2 (2x600 MW) of Datang Tuoketuo Power, a subsidiary of the Company, were put into operation in June and July of the Year, respectively. The power generation of these units for the Year was approximately 3.593 million MWh. The commissioning of Units 1 and 2 coincided with the peak summer season. These units, being the only new units in the BTT Power Grid when there was heavy power demand in summer, played an important role in ensuring no power supply rationing in the BTT Grid area and the city of Beijing during summer.
- Units 1 and 2 (2x220 MW) of Datang Yungang Thermal Power, a subsidiary of the Company, were put into operation in November and December of the Year, respectively. The total power generated by these units for the Year was approximately 269 million kWh.

Certain operation statistics of the Company's four wholly-owned power plants and several subsidiaries for the five years ended 31st December 2003 are set out as follows:

Dou He Power Plant

	1999	2000	2001	2002	2003
Installed capacity (MW)	1,550	1,550	1,550	1,550	1,550
Gross generation (MWh)	8,811,552	9,242,351	9,487,437	9,206,075	10,021,239
On-grid generation (MWh)	8,192,947	8,601,896	8,826,988	8,569,001	9,345,326
Available hours	8,053	8,395	8,274	8,338	8,218
Operating hours	6,769	7,414	7,211	7,354	7,872
Utilisation hours	5,685	5,963	6,121	5,939	6,465
Capacity factor (%)	64.90	76.88	69.87	67.80	73.80
Load factor (%)	83.99	80.43	84.88	80.76	82.13
Equivalent availability factor (%)	91.90	95.97	94.45	95.17	93.79
Coal consumption per unit of electricity delivered (gm standard coal/kWh)	360	360	360	362	362

Gao Jing Power Plant

	1999	2000	2001	2002	2003
Installed capacity (MW)	600	600	600	600	600
Gross generation (MWh)	2,954,094	3,104,832	3,116,727	3,469,695	3,625,898
On-grid generation (MWh)	2,650,945	2,795,874	2,803,954	3,133,434	3,277,119
Available hours	8,340	8,341	7,966	8,384	8,248
Operating hours	6,878	7,291	7,211	7,751	7,899
Utilisation hours	4,923	5,175	5,195	5,783	6,043
Capacity factor (%)	56.20	58.91	59.30	66.02	68.98
Load factor (%)	71.58	70.97	72.04	74.61	76.50
Equivalent availability factor (%)	95.10	94.95	90.94	95.68	94.13
Coal consumption per unit of electricity delivered (gm standard coal/kWh)	407	406	405	404	401

Zhang Jia Kou Power Plant

	1999	2000	2001	2002	2003
Installed capacity (MW)	1,500	2,100	2,400	2,400	2,400
Gross generation (MWh)	6,044,930	7,319,127	10,809,051	12,323,686	13,904,780
On-grid generation (MWh)	5,715,376	6,885,949	10,132,866	11,623,376	13,155,686
Available hours	6,619	7,937	7,910	8,155	8,115
Operating hours	5,638	6,658	7,107	7,313	7,866
Utilisation hours	5,343	4,550	4,855	5,135	5,794
Capacity factor (%)	60.99	51.80	55.42	58.62	66.14
Load factor (%)	70.13	68.34	68.31	70.22	73.66
Equivalent availability factor (%)	95.20	90.60	91.16	93.02	92.46
Coal consumption per unit of electricity delivered (gm standard coal/kWh)	351	349	347	346	346

Xia Hua Yuan Power Plant

	1999	2000	2001	2002	2003
Installed capacity (MW)	400	400	400	400	400
Gross generation (MWh)	2,628,738	2,662,483	2,733,054	2,698,145	2,552,497
On-grid generation (MWh)	2,438,835	2,466,796	2,532,995	2,519,993	2,384,095
Available hours	8,075	8,518	8,139	8,476	7,879
Operating hours	7,469	7,764	7,757	7,742	7,533
Utilisation hours	6,572	6,656	6,833	6,745	6,381
Capacity factor (%)	75.02	75.77	78.00	77.00	72.84
Load factor (%)	88.00	85.73	88.09	87.12	84.71
Equivalent availability factor (%)	92.20	96.97	92.91	96.75	89.93
Coal consumption per unit of electricity delivered (gm standard coal/kWh)	383	382	382	382	382

Datang Panshan Power

	1999	2000	2001	2002	2003
Installed capacity (MW)	–	–	–	1,200	1,200
Gross generation (MWh)	–	–	–	4,354,875	7,204,129
On-grid generation (MWh)	–	–	–	4,068,694	6,822,632
Available hours	–	–	–	6,469	8,237
Operating hours	–	–	–	5,432	8,134
Utilisation hours	–	–	–	4,615	6,003
Capacity factor (%)	–	–	–	52.68	68.53
Load factor (%)	–	–	–	84.96	73.81
Equivalent availability factor (%)	–	–	–	93.08	93.94
Coal consumption per unit of electricity delivered (gm standard coal/kWh)	–	–	–	349	343

Datang Tuoketuo Power

	1999	2000	2001	2002	2003
Installed capacity (MW)	-	-	-	-	1,200
Gross generation (MWh)	-	-	-	-	3,593,188
On-grid generation (MWh)	-	-	-	-	3,391,424
Available hours	-	-	-	-	4,518
Operating hours	-	-	-	-	4,191
Utilisation hours	-	-	-	-	3,102
Capacity factor (%)	-	-	-	-	35.41
Load factor (%)	-	-	-	-	75.48
Equivalent availability factor (%)	-	-	-	-	95.70
Coal consumption per unit of electricity delivered (gm standard coal/kWh)	-	-	-	-	349

Notes:

- (1) Units 1 and 2 of Datang Tuoketuo Power commenced operation on 9th June 2003 and 29th July 2003, respectively.
- (2) Units 1 and 2 of Datang Yungang Thermal Power commenced operation on 11th November and 13th December 2003, respectively, and achieved power generation of 268,583 MWh during the Year.
- (3) The two hydropower units (20MW) at Datang Fengning Hydropower contributed an annual power generation of 25,546 MWh.

While endeavouring to increase power generation, the Company also put a strong emphasis on the implementation of environmental protection improvement projects in accordance with relevant environmental protection requirements of the State. The focus of the Company's environmental protection measures during the Year was desulphurisation. Currently, the overall desulphurisation plan for



Zhang Jia Kou Power Plant has been confirmed, while tendering of the 3,800MW desulphurisation projects for a total of 12 boilers at Dou He Power Plant, Gao Jing Power Plant and Datang Tangshan Thermal Power have also been completed. Amongst these, the desulphurisation projects at Dou He Power Plant and Datang Tangshan Thermal Power have already commenced, while the design of the desulphurisation project plan for Gao Jing Power Plant has been approved and ready for commencement. The Company invested a total of approximately Rmb100 million in environmental protection projects during the Year.

The Company and its subsidiaries approved a total of 175 technological upgrade projects, with a total investment of approximately Rmb320 million, with a view to improving the safety standards, reliability, environment-friendliness and economic viability of its equipment.

Major projects included:

Modification of the steam circulation systems for Units 1, 2, 3 and 4 at Gao Jing Power Plant; DCS modification for Units 7 and 8, modification of the steam circulation systems for the medium- to high-pressure tank of Unit 7 and modification of the ash disposal systems for Units 5-8 at Dou He Power Plant; modification of the electric dust remover for Unit 4 and NCS modification for the network control system at Zhang Jia Kou Power Plant; and DCS modification for Unit 3 at Xia Hua Yuan Power Plant.

2. Operational Management

The Company and its subsidiaries achieved consolidated operating revenue of approximately Rmb9,951 million during the Year, representing an increase of approximately 24.10% over the Previous Year. The increase in operating revenue was mainly attributable to the increase in on-grid electricity by the Company and its subsidiaries.

During the Year, the Company and its subsidiaries achieved consolidated net profit of approximately Rmb1,812 million, representing an increase of 28.99% as compared to the Previous Year.

The substantial increase in the consolidated net profit of the Company and its subsidiaries for the Year was mainly attributable to the increase in the on-grid electricity of the Company and its subsidiaries, as well as the continued stringent cost control measures, the implementation of rigorous economic-target accountability system and diligent verification of financial budgets adopted by the Company and its subsidiaries. With the increase in power demand, coal supply was tight and fuel prices were on the rise throughout the Year. Under such unfavourable conditions, in addition to the measures taken to ensure stable coal supply, the Company and its subsidiaries also made appropriate adjustments to the structure of power generation. With the two 600 MW generation units of Datang Tuoketuo Power with lower fuel operating costs put into operations and other measures taken, the Company was able to control the fuel price increase within a relatively low level. Meanwhile, the Company and its subsidiaries continued to implement effective energy conservation measures and improve the operating efficiencies of its generating units which resulted in coal consumption rate being 3.75 gm/kWh lower than that of the Previous Year, while weighted average self consumption rate of the plants dropped by approximately 0.49 percentage-point as compared to the Previous Year. Accordingly, the unit fuel cost of the Company and its subsidiaries' generating units were reduced by approximately Rmb3.33 / MWh as compared to the Previous Year.

During the Year, the Company successfully issued 5-year convertible bonds amounting to US\$153.8 million at an annual coupon interest rate of 0.75%, reflecting the Company's strong financing ability.

3. Business Expansion

The construction projects of the Company and its subsidiaries progressed smoothly during the Year. Two 600 MW units (a total of 1,200 MW) of Datang Tuoketuo Power and two 220 MW units (a total of 440 MW) of Datang Yungang Thermal Power were put into operation during the Year. Breakthroughs were achieved in both construction and pre-construction projects to ensure continued growth in the production capacity of the Company and its subsidiaries. Major business expansion of the Company and its subsidiaries is as follows:

- (1) Units 1 and 2 (2x600 MW) of Datang Tuoketuo Power were put into operation in June and July, respectively, during the Year. The interval of 50 days between the commissioning of the two units set a new record for similar units in North China area.
- (2) Units 1 and 2 (2x220 MW) of Datang Yungang Thermal Power were put into operation in November and December of the Year, respectively. It took less than 20 months for the two units to start generating power since the commencement of their foundational works, setting a new record of construction progress for large-scale domestic direct air-cooling units in cold regions.
- (3) The construction works of the Company's subsidiaries progressed smoothly during the year:
 - Units 3 and 4 (2x600 MW) of Datang Tuoketuo Power are under construction and scheduled to put into operation in 2004.
 - Unit 1 of the technological upgrade project (2x300 MW thermal power units) of Datang Tangshan Thermal Power was put into operation in the first quarter of 2004, and Unit 2 is expected to be put into operation in the fourth quarter of 2004.
 - The two 500 MW units of Datang Shentou Power are under construction, and the first unit is expected to start generating power in 2004.
 - The two 300 MW units of Datang Liancheng Power are under construction, and the first unit is expected to start generating power in 2004.
 - Datang Honghe Power has obtained approval from the National Development and Reform Commission ("NDRC") for its construction commencement report of the two 300 MW coal-fired units. Official construction is scheduled to begin in 2004.
- (4) Pre-construction works progressed effectively, of which:
 - Preparations for the construction of Units 5 and 6 of Datang Tuoketuo Power are underway and the project proposal has been submitted to NDRC for approval.



- The construction commencement report for the development, construction and operation of Yunnan Nalan Hydropower Project (3x50 MW hydropower units) by Datang Nalan Hydropower has been approved by Yunnan Provincial Planning and Development Commission.
- The construction commencement report for Yayangshan Hydropower Project (2x50 MW), to be developed, constructed and operated by Datang Lixianjiang Hydropower has obtained approval from the Yunnan Provincial Planning and Development Commission. Preparations for construction for power stations in Longma, Jufudu, Gelantan and Tukahe along Lixianjiang are underway.
- The development right for Zhejiang Wushashan Power Generation Project located in Wushashan of Zhejiang Province has been obtained in the Year. Preparations for the construction of four 600 MW coal-fired units are underway.
- Datang Pengshui Hydropower, invested by the Company and other shareholders, was established on 28 August 2003 to construct five 350 MW hydropower units in the downstream area of Wujiang, Pengshui County, Chongqing City. Preparations for the construction are underway.

The Company has also started preliminary development works in areas where there is the market advantage, such as Guangdong, Fujian, Zhejiang and Jiangsu provinces.

While actively expanding its business, the Company also put a lot of efforts in ensuring high quality of its construction projects which is the cornerstone of smooth operation of the units and market competitiveness in the future. At the beginning of 2004, Units 7 and 8 of Zhang Jia Kou Power Plant and Unit 1 of Datang Panshan Power won the silver award of The Nation's Best Quality Projects 2003 from The Nation's Quality Projects Awards Assessment Committee.

4. Financial Analysis

(1) Operating Results

The Company and its subsidiaries achieved consolidated net profit of approximately Rmb1,812 million representing an increase of approximately 28.99% over the Previous Year. Basic earnings per share was approximately Rmb0.35, representing an increase of approximately Rmb0.08 per share over the Previous Year.

- Operating revenue: consolidated operating revenue of the Company and its subsidiaries for the Year amounted to approximately Rmb9,951 million, representing an increase of approximately 24.10% over the Previous Year. The increase in consolidated operating revenue was mainly resulted from increase in on-grid electricity.

- Operating costs: consolidated operating costs of the Company and its subsidiaries for the Year amounted to Rmb6,795 million, representing an increase of approximately 21.76% over the Previous Year. Among this, fuel costs amounted to approximately Rmb3,165 million, 23.82% higher as compared to the Previous Year. Increase in fuel costs was mainly resulted from the increase in on-grid electricity. However, unit fuel cost for the Year was lowered by approximately Rmb3.33/MWh, which was caused by the commissioning of large units with larger capacities, lower consumption rates and lower costs. Depreciation of fixed assets for the Year increased by approximately 18.87% as compared to the Previous Year mainly because of additional depreciation of Datang Panshan Power Unit 2 for additional half-year and the generation units of Datang Tuoketuo Power and Datang Yungang Thermal Power which were put into operation during the Year.
- Finance costs: finance costs for the Year decreased by approximately 31.72% as compared to the Previous Year, which was mainly attributable to a reduction of fair value loss for interest rate swap by approximately Rmb187 million as compared to the Previous Year.

(2) *Financial Position*

As at 31 December 2003, total consolidated assets of the Company and its subsidiaries amounted to approximately Rmb35,544 million, representing an increase of approximately Rmb8,724 million over the Previous Year. Total consolidated liabilities amounted to approximately Rmb18,582 million, representing an increase of approximately Rmb7,049 million over the Previous Year. Minority interests amounted to approximately Rmb1,241 million, representing an increase of approximately Rmb333 million over the Previous Year. Shareholders' equity amounted to approximately Rmb15,721 million, representing an increase of approximately Rmb1,342 million over the Previous Year. The increase in total assets mainly resulted from the implementation of the expansion strategy by the Company and its subsidiaries and the corresponding increase in investments in construction-in-progress.

(3) *Liquidity*

As at 31 December 2003, the asset-to-liability ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) for the Company and its subsidiaries was approximately 52.28%. The net debt-to-equity ratio (i.e. (total loans + convertible bond - cash and cash equivalents - bank deposits - quoted securities) /shareholders' equity) was approximately 61.07%.

As at 31 December 2003, total cash and cash equivalents and bank deposits with a maturity of over 3 months of the Company and its subsidiaries amounted to approximately Rmb5,428 million, among which the equivalent of approximately Rmb2,035 million was in foreign currencies. The Company and its subsidiaries had no entrusted deposits or overdue fixed deposits during the Year.

As at 31 December 2003, short-term loans of the Company and its subsidiaries amounted to approximately Rmb2,861 million which bore annual interest rates ranging from 2.88% to 4.78%. Long-term loans (excluding those due within 1 year) amounted to approximately Rmb10,306 million and long-term loans due within 1 year amounted to approximately Rmb829 million at annual interest rates ranging from 1.30% to 5.76%, of which an amount equivalent to approximately Rmb2,776 million was denominated in United States Dollars. The convertible bond was denominated in United States Dollars and equivalent to an amount of Rmb1,032 million. The Company and its subsidiaries pay regular and active attention to foreign exchange market fluctuations and constantly assess foreign currency risks.

As at 31 December 2003, former North China Power Group Company (“NCPGC”, currently known as North China Grid Company Limited) and some minority shareholders of Company’s subsidiaries provided guarantee for the loans of the Company and its subsidiaries amounting to approximately Rmb6,096 million. The Company had not provided any guarantee in whatever forms for any other company apart from its subsidiaries.

5. Performance of the Company’s Shares and Investor Relations

Beijing Datang Power was a favourite counter in the stock market as investors bought on its excellent operating results. Driven by strong investor interest, the share price of the Company rallied in the secondary market throughout 2003 to close the year at HK\$5.550, a historic high since August 1997 and representing a P/E ratio of 21.79 times. The average share price for the year was HK\$3.666, representing a P/E ratio of 14.35 times.

Meanwhile, the Company duly impressed the market with its management and achievements, bagging numerous awards from *Euromoney*, *Finance Asia*, *Asiamoney* and *CFO*, including Best Corporate Governance in China, Best Managed Company in China, Best Investor Relations, Best in Financial Management and Best Annual Report in China. The Company was named among China’s Top 100 Listed Companies by *Fortune* and the World’s Top 250 Energy Companies by *Global Energy Business*. It is particularly noteworthy that earlier in 2004, the Company was named the Best Company in China for the Year by *The Banker*, an affiliate publication of *Financial Times*. This award came through a process of preliminary screening followed by selection among over 500 companies from 35 countries on the basis of poll results as well as articulate and objective assessments. Only 29 companies representing 29 countries emerged as the final award winners for 2003, among which Beijing Datang Power represented the only candidate from China.

6. Outlook for 2004

It is forecasted that China will continue to achieve steady economic growth in 2004. Nationwide power consumption is expected to grow by approximately 12%. Tension in power supply provides new business opportunities to the Company and its subsidiaries. The Company and its subsidiaries will expand their business across the nation in addition to the continued development in the BTT Area. The Company will actively develop, construct, operate and manage large-scale power plants in various regions to expand its market shares nationwide and to improve its ability to counteract against risks and pursue sustainable development. NDRC has announced a new tariff policy, according to which the on-grid tariffs for electricity sold to provincial or higher level power grids by coal-fired units were increased by Rmb7/ MWh (tax inclusive) from 1 January 2004. The previous year’s average tariff of the relevant

provincial power grid will be adopted as the tariff of the newly operating units. With the implementation of the new tariff policy, and more new units being put into operation over the years, the profitability of Company and its subsidiaries will increase steadily. On the other hand, there are also unfavourable conditions in 2004: the increase in fuel prices and the increasingly stringent environmental protection requirements may affect the Company's profitability. The Company will further enhance its management standards to overcome the challenges of such adverse factors and achieve competitive advantages in the future competitive bidding power market. The Company's work focus in 2004 includes:



- (1) Actively pursue business expansion, continue pre-construction works and identify as well as create development opportunities;
- (2) Actively identify different financing channels that would help lower the Company's capital costs and appropriately rationalise its capital structure to prepare for the future financing requirements arising from the Company's rapid business expansion;
- (3) Continue to enhance its construction works to ensure Units 3 and 4 of Datang Tuoketuo Power (2x600 MW), Units 1 and 2 of Datang Tangshan Thermal Power (2x300 MW), Unit 1 of Datang Shentou Power (500 MW) and Unit 1 of Datang Liancheng Power (300 MW) will be put into operation in 2004, and also to strive to control project costs and ensure project quality so as to provide solid foundations for enhancing the Company's competitiveness in future;
- (4) Improve the overall safety standard of all the generating units by enhancing scientific and standardised production management, strengthening repair and maintenance, and technical management with special emphasis on appropriate arrangements of overhaul programmes to improve the quality of repair and maintenance works, and enhancing maintenance of equipment to eliminate defects and hazards that might affect the safe and stable operation;
- (5) Ensure fuel supply for the Company and its subsidiaries' operating plants by enhancing fuel management and procurement; optimising allocation of coal resources and railway transport capacity; effectively handling external coordination with mining and rail authorities; and organising deployment plans for coal; and
- (6) Enhance efforts in cost management and explore new sources for revenue and opportunities for cost saving; and secure growth in sales revenue by increasing power generation, raising tariffs and optimising on-grid electricity structures.

Zhang Yi

President

17th March 2004