

Beyond

Coal-fired





Prudent Development on Hydropower

Beijing Datang Power has taken sustainable development as one of its business goals, and has advanced beyond coal-fired generation in recent years. Datang Fengning Hydropower in Hebei Province commenced operation in 2002, while Datang Lixianjiang Hydropower and Datang Nalan Hydropower in Yunnan have been preparing for construction. The Company marked another milestone of its hydropower development in the second half of 2003 when the new Chongqing Datang Pengshui Hydropower was established.

Report of the Directors

The Directors are pleased to present the audited results of the Company and its subsidiaries for the year ended 31st December 2003.

Listing and Issue of Shares

The Company's H shares have been listed on The Stock Exchange of Hong Kong Limited (the "SEHK") and the London Stock Exchange since 21st March 1997. On 9 September 2003, the Company issued 5-year US Dollar convertible bond of US\$153.8 million, which are listed on the Luxembourg Stock Exchange, at 0.75% interest rate per annum and a conversion premium of 30%. As at 31st December 2003, no bond holder has converted the bonds into the Company's shares. During the Year, the Company did not issue any new shares.

Performance of the Company's H Shares in 2003:

Closing price per H Share as at 31st December 2003	HK\$5.55
Highest traded price per H Share between 1st January and 31st December 2003	HK\$5.55
Lowest traded price per H Share between 1st January and 31st December 2003	HK\$2.40
Total number of H shares traded	3,212,736,000 shares

Accounts

The Company and its subsidiaries' audited consolidated results for the year ended 31st December 2003 are set out in the Consolidated Income Statement on page 68. The financial position of the Company and its subsidiaries as at 31st December 2003 is set out in the Balance Sheets on page 69.

The Company and its subsidiaries' consolidated cash flows for the year ended 31st December 2003 are set out in the Consolidated Cash Flow Statement on page 71.

Main Businesses

The main businesses of the Company are to acquire, own and operate existing power plants and to develop, construct, own and operate new power plants.

Major Suppliers and Customers

The percentage of purchases and sales attributable to the Company's major suppliers and customers for the Year are as follows:

	2003	2002
Purchases		
The largest supplier	22%	17%
Five largest suppliers	63%	52%
Sales		
The largest customer	99.97%	100%
Two largest customers	100%	100%

To the knowledge of the directors, none of the directors, supervisors, their associates or shareholders own more than 5% of the capital of the Company's suppliers and customers mentioned above during the Year.

Subsidiaries and Associates

Details of subsidiaries and associates of the Company are set out in Note 1 to the financial statements on page 72 to page 75.

Dividends and Earnings per Share

Details of dividends and earnings per share are set out in Notes 27 and 28 to the financial statements on page 111.

Reserves

Movements in reserves during the Year are set out in Note 15 to the financial statements on page 95 to page 97.

Property, Plant and Equipment

Details of movements in property, plant and equipment during the Year are set out in Note 4 to the financial statements on page 88 to page 89.

Share Capital

Details of the change of share capital of the Company during the Year are set out in Note 14 to the financial statements on page 95.

Share Capital Structure

As at 31st December 2003, the total number of shares issued by the Company was 5,162,849,000 shares. The Company's shareholders were China Datang Corporation ("CDT"), Beijing International Power Development and Investment Company, Hebei Construction Investment Company, Tianjin Jinneng Investment Company and foreign holders of H Shares, holding 1,828,768,200 domestic shares, 671,792,400 do-



mestic shares, 671,792,400 domestic shares, 559,827,000 domestic shares and 1,430,669,000 H shares, respectively, representing 35.43%, 13.01%, 13.01%, 10.84% and 27.71%, respectively, of the entire share capital of the Company.

Number of Shareholders

Details of the shareholders as recorded in the register of members of the Company at 31st December 2003 are as follows:

Total number of shareholders	301
Holders of domestic Shares	4
Holders of H Shares	297

Shares Held by Substantial Shareholders

As at 31st December 2003, the largest shareholder of the Company was CDT, which held 1,828,768,200 domestic shares, representing 35.43% of the entire share capital of the Company. Beijing International Power Development and Investment Company, Hebei Construction Investment Company and Tianjin Jinneng Investment Company are respectively interested in 671,792,400, 671,792,400 and 559,827,000 domestic shares in the Company, representing 13.01%, 13.01% and 10.84% of the total share capital of the Company, respectively.

Save as disclosed above, the Company has not been aware of any interest and short positions which are required to be disclosed pursuant to the Securities and Futures Ordinance (the "SFO") as of 31st December 2003.

Interests of Directors and Supervisors in Share Capital

At any time during the Year, none of the directors, supervisors of the Company or their associates held or were deemed to hold interests or short position in the shares, underlying shares or debentures of the Company or any of its associated corporation (as defined in the SFO), nor were they granted any rights to subscribe for or acquire any shares or debt equities of the Company or any of its associated corporations.

Directors's Service Contracts

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

Interests of Directors and Supervisors in Contracts

No contracts of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party, and in which any director or supervisor had a material interest, subsisted at the end of the Year or at any time during the Year.

Directors and Supervisors' Benefits from Rights to Acquire Shares or Debentures

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

Highest Paid Individuals

All of the highest paid individuals of the Company during the Year include directors and senior management staff. Details of their remuneration are set out in Note 26(b) of the financial statements on page 110.

Purchase, Sale and Redemption of the Company's Listed Securities

There was no purchase, sale or redemption of the Company's listed securities by the Company during the Year.

Bank Borrowings, Overdrafts and Other Borrowings

Apart from the loans from NCPG Finance Company Ltd, long-term loans from banks and other long-term loans as set out in Notes 16 to 17 to the financial statements on page 97 to page 99, there were no other loans of the Company and its subsidiaries as at 31st December 2003.

Pre-emptive Rights

According to the Articles of Association of the Company, there is no pre-emptive right requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings.

Connected Transactions

During the Year, NCPGC was no longer the shareholder of the Company and therefore, the transactions between the Company and NCPGC did not constitute connected transactions as set out in Chapter 14 of the Listing Rules of the SEHK. On 16th March 2004, the Company, CDT (which became a substantial shareholder of the Company as of 1st January 2003) and NCPGC entered into an agreement whereby CDT replaced NCPGC as the contractual party and acquired all the rights and obligations of NCPGC in relation to the following connected transactions with the Company:

Details	Amount (Rmb'000)
1. Ash disposal fee payable to CDT and its divisions and affiliates	94,338
2. Rental payable to CDT	7,229

The Company has applied to the SEHK for a waiver from the relevant requirements imposed by the Listing Rules on such connected transactions and is awaiting the decision of the SEHK. The Company will issue further announcement regarding this matter if necessary.

Material Litigation

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

Retirement Scheme

In accordance with the State's employee retirement scheme, the Company and its subsidiaries have to pay a basic pension insurance premium on behalf of the employees at a rate of 19% to 20% of the entire staff's salaries whereby the employees would receive a monthly pension payment from the government after they retire. In addition, the Company and its subsidiaries have also implemented a supplementary retirement plan, whereby employees will make monthly contributions in accordance with their years of service as individual savings retirement insurance fund, while the Company and its subsidiaries will contribute an amount equivalent to twice the amount of the employees' contributions. The Company and its subsidiaries may at its discretion provide additional non-recurring corporate supplemental savings retirement insurance fund depending on the operating results of the year. Apart from such contributions, the Company and its subsidiaries have no other liabilities towards the staff retirement scheme.

Interest Capitalisation

During the Year, interest capitalised in respect of construction-in-progress amounted to approximately RMB219,000,000.

Other Significant Matters

- (1) Authorised by shareholders' general meeting, the Board of Directors completed the issuance of 5-year US Dollar convertible bond of US\$153.8 million at a coupon interest rate of 0.75% per annum in September 2003. The initial conversion price is HK\$5.558 per share, subject to adjustment in accordance with terms and conditions governing the issue.
- (2) CDT entered into Power Generation Entities Transfer Agreement (the "Agreement") with NCPGC on 15 January 2004, pursuant to which 35.43% equity in the Company and the corresponding assets, liabilities and guarantees formerly owned by NCPGC were transferred to CDT with retrospective effect from 1 January 2003.
- (3) On 5 August 1996, the Company entered into the Ash Disposal Agreement and the Buildings Lease Agreement with its former shareholder, NCPGC, in respect of the provision of ash disposal services and the leasing of buildings by NCPGC to the Company. On 16 March 2004, the Company, CDT and NCPGC entered into a variation agreement in respect of the Ash Disposal Agreement and the Building Lease Agreement whereby CDT has been substituted in place of NCPGC as the contractual party of such agreements. The aforesaid parties agreed that NCPGC shall have transferred all the rights and obligations under the Ash Disposal Agreement and the Building Lease Agreement to CDT retrospectively from 1 January 2003.

Code of Best Practice

To the knowledge of the Directors, the Company had complied with the Code of Best Practice set out in Appendix 14 of the Listing Rules of the SEHK throughout 2003.

Auditors

The Company's 2003 financial statements prepared under International Financial Reporting Standards ("IFRS") have been audited by PricewaterhouseCoopers. A resolution to re-appoint PricewaterhouseCoopers as the international auditors will be proposed at the Annual General Meeting.

By Order of the Board

Zhai Ruoyu

Chairman

17th March 2004