

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 2004.

Listing and Issue of Shares

The Company's H Shares have been listed on the Hong Kong Stock Exchange and the London Stock Exchange since 21st March 1997. On 9th 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 2004, 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 during the Year:

Closing price per H Share as at 31st December 2004	HK\$5.85
Highest traded price per H Share between 1st January and 31st December 2004	HK\$7.35
Lowest traded price per H Share between 1st January and 31st December 2004	HK\$5.05
Total number of H Shares traded between 1st January and 31st December 2004	3,139,993,000 shares

Public Float

The Company confirms that the public float of the Company's H Shares has complied with the requirement under the Listing Rules.

Accounts

The Company and its subsidiaries' audited consolidated results for the year ended 31st December 2004 are set out in the Consolidated Income Statement on page 69. The financial position of the Company and its subsidiaries' as at 31st December 2004 is set out in the Balance Sheets on page 70.

The Company and its subsidiaries' consolidated cash flows for the year ended 31st December 2004 are set out in the Consolidated Cash Flow Statement on page 72.

Main Businesses

The main businesses of the Company are to acquire, own and operate existing coal-fired 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:

	2004	2003
Purchases		
The largest supplier	14.00%	21.76%
Five largest suppliers	52.80%	62.78%
Sales		
The largest customer	95.67%	99.97%
Five largest customers (2003: Two largest customers)	99.96%	100.00%

To the knowledge of the Directors, none of the Directors, Supervisors, their respective associates or shareholders of the Company owning 5% or more of the Company's issued share capital of the same class owned any direct or indirect interest in 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 25 to the financial statements on page 113 to page 115.

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 116 to page 117.

Reserves

Movements in reserves during the Year are set out in Note 15 to the financial statements on page 98 to page 100.

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 91 to page 93.

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 98.

Share Capital Structure

As at 31st December 2004, the total number of shares issued by the Company was 5,162,849,000. The Company's shareholders were CDT, Beijing Energy Investment Holding Company Limited (note), Hebei Construction Investment, Tianjin Jinneng and foreign holders of H Shares, holding 1,828,768,200 shares, 671,792,400 shares, 671,792,400 shares, 559,827,000 shares and 1,430,669,000 H Shares, respectively, representing 35.43%, 13.01%, 13.01%, 10.84% and 27.71%, respectively, of the issued share capital of the Company.

Note: Beijing International Power Development and Investment Company ("Beijing International Investment"), one of the Company's original shareholders, has merged with Beijing Integrated Investment Company to form a new company Beijing Energy Investment Holding Company Limited ("Beijing Energy Investment") on 8th December 2004. The merger has been approved by the State-owned Assets Supervision and Administration Commission of Beijing Municipal Government. The shares which were originally held by Beijing International Investment amounting to 671,792,400 shares are now held by Beijing Energy Investment.

Number of Shareholders

Details of the shareholders as recorded in the register of members of the Company at 31st December 2004 were as follows:

Total number of shareholders	285
Holders of domestic shares	4
Holders of H Shares	281



Substantial Shareholders of the Company

As far as the Directors are aware, as at 31st December 2004, the interests or short positions of the person or entities, other than the directors, chief executives or supervisors of the Company, in the shares or underlying shares of the Company to be disclosed to the Company and the Hong Kong Stock Exchange in accordance with Chapter XV sections 2 and 3 of the Securities and Futures Ordinance (the “SFO”) are as follows:

Name of shareholder	Class of share	No. of shares held	Percentage to total issued share capital of the Company (%)	Percentage to total issued domestic shares (%)	Percentage to total issued H Shares (%)
CDT	Domestic shares	1,828,768,200(L)	35.43	49	–
Beijing Energy Investment	Domestic shares	671,792,400(L)	13.01	18	–
Hebei Construction Investment	Domestic shares	671,792,400(L)	13.01	18	–
Tianjin Jinneng	Domestic shares	559,827,000(L)	10.84	15	–
J.P. Morgan Chase & Co.	H Shares	115,203,561(L) 78,921,947(P)	2.23 1.52	–	8.05(L) 5.52(P)
Alliance Capital Management L.P.	H Shares	114,579,171(L)	2.22	–	8.01(L)
UBS AG	H Shares	100,812,823(L) 30,594,988(S)	1.95 0.59	–	7.05(L) 2.14(S)
Schroder Investment Management (S'pore) Limited	H Shares	114,480,946(L)	2.22	–	8.00(L)
Sumitomo Life Insurance Company	H Shares	86,602,000(L)	1.68	–	6.05(L)
Sumitomo Mitsui Asset Management Company, Limited	H Shares	86,602,000(L)	1.68	–	6.05(L)
Templeton Asset Management Limited	H Shares	84,472,320(L)	1.64	–	5.90(L)
Deutsche Bank Aktiengesellschaft	H Shares	72,756,563(L) 66,268,462(S)	1.41 1.28	–	5.09(L) 4.63(S)

(L) = Long positions

(S) = Short positions

(P) = Lending Pool

Save as disclosed above, as far as the Directors are aware, there is no person or entity holding interests or short positions in the Share or underlying shares of the Company are required to make disclosure in accordance with the requirements of the SFO.

Interests of Directors and Supervisors in Share Capital

At any time during the Year, none of the Directors, Supervisors or their respective associates held any share capital or debentures of the Company or any of its associated corporation (as defined in the SFO); or interests (including interests or short position in the shares or debentures) that required to notify the Company and the Hong Kong Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO;

or interests (including those interests and short position which were deemed to or counted as be held pursuant to the SFO) that required to notify the Company and the Hong Kong Stock Exchange pursuant to section 352 of the SFO; or interests that required to be recorded in the register mentioned in the SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.



Directors' Service Contracts

As at 31st December 2004, the Company did not enter into any service contracts with executive Directors.

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 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 to the financial statements on page 115 and 116.

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, short-term loans from banks, long-term loans from banks and other long-term loans as set out in Notes 16 to 17 to the financial statements on page 101 to page 103, there were no other loans of the Company and its subsidiaries as at 31st December 2004.

Pre-emptive Rights

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

Connected Transactions

During the Year, CDT and the Company entered into the following continuing connected transactions (definition in accordance with the requirements stipulated in Chapter 14A of the Listing Rules), among which the Company has been liaising with CDT with a view to enter into a supplemental agreement in relation to the continuing connected transaction 1 below in order to strictly comply with the Listing Rules after its revision, while the remaining transaction was in compliance with the requirements on connected transactions under Chapter 14A of the Listing Rules.

Transactions

	Amount (RMB'000)
1. Ash disposal fees payable to CDT and its divisions and affiliates	93,261
2. Rental payable to CDT	7,228



The independent non-executive Directors have reviewed the above transactions and confirmed:

- (1) the above transactions were made in and for the need of daily and normal business operations;
- (2) the above transactions were made with the following terms: (a) normal business terms (i.e. such terms are applicable to the similar transactions with other similar business entities in China); or (b) fair and reasonable terms in the opinion of the directors of the Company if there were no comparable terms; and
- (3) the above transactions were made with the following terms: (a) agreed terms governing such transactions, or (b) terms not less favourable than those that may contract with any third party, if there was no such agreement.

During the Year, the Company has concurrently conducted the following connected transactions which were in compliance with the requirements as stipulated in Chapter 14A of the Listing Rules:

- (1) An assets transfer contract was signed on 6th January 2004 between the assignee Hebei Tangshan Thermal Power Company, one of our subsidiaries, and the assignor CDT, the controlling shareholder of the Company, under which the assignor transfers all assets of its subsidiary Tangshan Power Plant to the assignee at a consideration of RMB 155,000,000, together with all outstanding liabilities in the amount of approximately RMB 65,570,000. The transaction was approved on 31st December 2004 by the State-owned Assets Supervision and Administration Commission of the State Council. As at 31st December 2004, the transaction was still in progress.
- (2) On 5th April 2004, the Company entered into an agreement with Hunan Huayin Electric Power Co., Ltd. ("Huayin Power") to transfer to Huayin Power the development right of

Jinzhusan Power Project for a consideration of approximately RMB103,000,000, representing the total cost prepaid by the Company investing in the project. On 4th May 2004, Huayin Power remitted the transfer payment to the Company.

- (3) CDT provided fuel management and development services to the Company. The service fee was calculated from the quantity of fuel purchased based on RMB0.5/ton. During the Year, the Company has paid CDT a fuel management fee amounting to RMB6,268,000.
- (4) On 21st December 2004, the Company entered into an investment agreement to establish Chongqing Datang International Wulong Hydropower Development Company ("Wulong Hydropower Company") with an aim to plan, construct and operate Wujiang Hydropower Project. The expected registered capital of Wulong Hydropower Company was approximately RMB1 billion. The Company held 51% equity interests.
- (5) The Company signed a Promoters Agreement with CDT and 11 affiliates and solely-owned subsidiaries of CDT on 31st December 2004 to jointly establish China Datang Finance Company ("Finance Company"). Pursuant to the Promoters Agreement, Finance Company will be owned as to 20% by the Company, 52.5% by CDT and 2.5% by each of the other contracting parties, namely Hunan Huayin Power Co., Ltd., Anhui Electric Power Co., Ltd., Datang Heilongjiang Power Generation Co., Ltd., Datang Jilin Power Generation Co., Ltd., Datang Gansu Power Generation Co., Ltd., Datang Shaanxi Power Generation Co., Ltd., Datang Hebei Power Generation Co., Ltd., Longtan Hydropower Development Co., Ltd., China National Water Resources & Electric Power Materials Equipment Co., Ltd., Datang



Power Fuel Co., Ltd. and Guangxi Guiguan Electric Power Co., Ltd. The Company has disclosed the relevant information of the Promoters Agreement in accordance with the Listing Rules.

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 may at its discretion provide additional non-recurring corporate supplemental savings retirement insurance fund depending on the operating results of the year. When retired, an employee will receive a pension payment equivalent to the contributions by the Company and by oneself. 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 RMB522,252,000.

Other Significant Matters

At the 2004 extraordinary general meeting of the Company, the class meeting of the holders of H Share and the class meeting of the holders of Domestic Shares convened on 22nd June 2004, approval was granted to the Board of Directors to issue not more than 1,000,000,000 A shares of the Company.

Code of Best Practice

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

Independent non-executive Directors

The Company confirms the receipt of annual confirmation letters from its independent non-executive Directors in respect of their respective independency; and confirms that the Company believes that all independent non-executive Directors are independent individuals.

Auditors

The Company's 2004 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. During the past three years, the Company has not changed its the auditors.

By Order of the Board of Directors
Zhai Ruoyu
Chairman

28th March 2005