

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 2002.

Listing and Issue of Shares

The Company's H shares have been listed on The Hong Kong Stock Exchange Limited and the London Stock Exchange since 21st March 1997. The Company did not issue any new shares during the Year.

Performance of the Company's H Shares in 2002:

Highest traded price per H Share	HK\$3.65
Lowest traded price per H Share	HK\$2.35
Total number of H shares traded	2,811,000,000 shares
Closing price per H Share as at 31st December 2002	HK\$2.525

Accounts

The audited consolidated results for the year ended 31st December 2002 are set out in the Consolidated Income Statement on page 55.

The financial position as at 31st December 2002 is set out in the Balance Sheets on page 56.

The consolidated cash flows for the year ended 31st December 2002 are set out in the Consolidated Cash Flow Statement on page 58.

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 customer for the Year are as follows:

	2002	2001
	Percentage	Percentage
Purchases		
The largest supplier	17%	26%
Five largest suppliers	52%	62%
Sales		
The largest and only customer	100%	100%

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

Subsidiaries and Associates

At 31st December 2002, the Company's subsidiaries were Datang Panshan Power, Datang Tuoketuo Power, Datang Shentou Power, Datang Pingwang Power, Datang Honghe Power, Hebei Huaze Hydropower, Datang Tangshan Power and Datang Lixianjiang Power.

At 31st December 2002, the Company's associates were North China Electric Power Research Institute Company Limited, Datang Liancheng Power, Wenshan Malutang Power Generation Company Limited, Tianjin Dagang Huashi Power Generation Company Limited, Beijing Datang Texin Heat Company Limited and Yunnan Datang Nalan Power.

Dividends and Earnings Per Share

Details of dividends and earnings per share are set out in notes 24 and 25 to the financial statements on page 90.

Reserves

Movements in reserves during the Year are set out in note 14 to the financial statements on page 77 to page 79.

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 72 to page 73.

Share Capital

Details of the change of share capital of the Company during the Year are set out in note 13 of the financial statements on page 77.

Share Capital Structure

As at 31st December 2002, the total number of shares issued by the Company was 5,162,849,000 shares. The Company's shareholders were NCPGC, 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 domestic 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 2002 are as follows:

Total number of shareholders	372
Holders of domestic Shares	4
Holders of H Shares	368

Shares Held By Substantial Shareholders

As at 31st December 2002, the largest shareholder of the Company was NCPGC, 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 and 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, as at 31st December 2002, the Company was not aware of any shareholding interests which were required to be disclosed pursuant to the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance").

* The Change of Controlling Shareholder of the Company

As approved by the State Council, on 9th April 2003, CDT will hold 35.43% of the Company's shares in place of NCPGC and has become the controlling shareholder of the Company.

CDT was established as a State-owned enterprise based on part of the operating units of the former State Power Corporation. With the consent of the State Council, CDT is an organisation authorised by the State to carry out investment endeavours, and is a pilot-test State-owned holding company. As at 9th April 2003, CDT has completed registration at the State Administration for Industry and Commerce.

Interests of Directors and Supervisors in Share Capital

None of the directors, supervisors or their respective associates had any interests in the share capital of the Company or any of its associated corporations (as defined in the SDI Ordinance) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "SEHK") pursuant to Section 28 of the SDI Ordinance, including interests which were deemed or taken to be owned by such persons under Section 31 or Part I of the Schedule to that Ordinance, or which were required, pursuant to Section 29 of that Ordinance, to be entered in the register referred to therein or which were required to be notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Directors' 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 23(b) of the financial statements on page 90.

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 short term loans from North China Power Group Finance Company Limited, long term loans from bank, and other long term loans as set out in notes 15 to 16 to the financial statements on page 80 to page 81, there were no other loans of the Company and its subsidiaries as at 31st December 2002.

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

Transactions involving the NCPGC and its associates

During the Year, the Company has entered into the following connected transactions with NCPGC and its associates as agreed. The Company has been exempted from compliance with provisions relating to connected transaction set out in Chapter 14 of the Listing Rules of the SEHK:

Details	Amount (Rmb'000)
1. Sale of electricity to NCPGC	8,017,912
2. On-grid service fee payable to NCPGC	30,165
3. Fuel management fee payable to NCPGC	34,800
4. Coal ash disposal fee payable to NCPGC	86,392
5. Rental payable to NCPGC	7,229

The independent non-executive directors have reviewed the transactions described above and have confirmed that:

- (1) the transactions described above had been entered into by the Company in the ordinary and daily course of its business;
- (2) the transactions described above had been entered into either (a) on normal commercial terms (which expression will be applied by reference to transactions of a similar nature made by similar entities within the PRC), or (b) where there is no available comparison, on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (3) the transactions described above have been entered into either (a) in accordance with the terms of the agreements governing such transactions, or (b) where there is no such agreement, on terms no less favourable than terms available to third parties.

The auditors of the Company have reviewed the transactions described above, and have advised the directors in writing that:

- (a) the transactions described above had received the approval of the directors;
- (b) the transactions described above had been entered into in accordance with the terms of the agreements governing such transaction, and the pricing method as stated therein, or relevant regulations stipulated by the State, if applicable; and
- (c) the transactions described above had not exceeded the relevant cap applicable to such transactions.

* Since 9th April 2003, CDT has replaced NCPGC and become the controlling shareholder of the Company, the original connected transactions between NCPGC and the Company and their respective connected persons will no longer constitute any connected transactions.

As CDT is the controlling shareholder of the Company, CDT and its associates are connected persons of the Company. The Company does not currently have any intention of entering into any transaction or agreement with CDT and/or its associates. If the Company subsequently enters into any transaction or arrangement with CDT and/or its associates, the Company will comply with the rules governing connected transactions in Chapter 14 of the Listing Rules and/or (if applicable) apply to the SEHK for waiver(s) from strict compliance with such rules.

Transactions Involving North China Power Group Finance Company Limited

During the Year, the Company has received an interest income amounting to approximately Rmb3,177,000 in respect of deposits held with North China Power Group Finance Company Limited.

The Company and its subsidiaries incurred interests expenses amounting to Rmb14,503,000 in respect of borrowings extended by North China Power Group Finance Company Limited.

The Company received from North China Power Group Finance Company Limited a dividend income of approximately Rmb7,107,000.

Material Litigation

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

Retirement Scheme

According to relevant Chinese government policies, a basic pension insurance premium was paid on behalf of our employees by the Company, whereby the employees would receive a monthly pension payment from the government after they retire. In addition, the Company has also launched 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 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. Upon retirement or exceptional requirement, the staff will receive pension payment comprising their own contributions and the Company's contributions. Apart from such contributions, the Company has no other liabilities towards the staff retirement scheme.

Interest Capitalised

During the Year, interest capitalised in respect of construction-in-progress amounted to approximately Rmb144,384,000.

Other Events

1. Employees' Medical Insurance

Local governments at where the Company and its subsidiaries are situated have promulgated implementation rules on staff medical insurance. In accordance with such staff medical insurance implementation rules, the Company and its subsidiaries are required to pay on behalf of employees basic medical insurance fees, mutual medical fund and supplementary corporate medical insurance calculated as certain percentages of employees' wages. The specific schedule for the Company and its subsidiaries' participation in such insurance plans shall be determined by the local governments. Pursuant to arrangements of local governments, the Company and its major subsidiaries had either been notified that they were not required to join any medical insurance plans for the time being or had not received any notice to join such plans as at the end of 2002.

The Company and its subsidiaries anticipate that observing such medical insurance rules shall not have any significant impact on the Company and its subsidiaries.

2. The Company convened the eleventh meeting of the fourth session of the Board of Directors on 3rd March 2003, at which Mr. Yu Hongji resigned as General Manager of the Company and its subsidiaries for age reason. The twelfth meeting of the fourth Board of Directors of the Company and its subsidiaries was held on 31st March 2003, at which Mr. Zhang Yi was appointed General Manager of the Company and its subsidiaries, and Mr. Yu Libin, Mr. Yang Hongming and Mr. Wei Yuan were appointed Deputy General Managers.

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 2002.

Auditors

The Company's 2000 and 2001 financial statements were audited by Arthur Andersen & Co. The Company's 2002 financial statements prepared under International Financial Reporting Standards have been audited by PricewaterhouseCoopers. A resolution to continually appoint PricewaterhouseCoopers as the international auditor will be proposed at the Annual General Meeting.

By Order of the Board

Zhai Ruoyu

Chairman

3rd March 2003