



大唐国际发电股份有限公司
DATANG INTERNATIONAL POWER GENERATION CO., LTD.

(Stock Code : 991)

*Furthering **D**iversifications,
Pursuing **S**ynergy.*



Annual Report 2008

Contents

2	Company Profile
4	Distribution of Projects
6	Major Events in 2008
8	Financial and Operating Highlights
10	Chairman's Statement
14	Management Discussion and Analysis
22	Green Operations
26	Human Resources Overview
36	Questions Frequently Asked by Investors
41	Corporate Governance Report
46	Report of the Directors
53	Report of the Supervisory Committee
56	Taxation in the United Kingdom
57	Independent Auditor's Report
59	Consolidated Income Statement
60	Balance Sheets
62	Consolidated Statement of Changes in Equity
63	Consolidated Cash Flow Statement
64	Notes to the Financial Statements
176	Net Assets and Net Profit Reconciliation between PRC GAAP and IFRS
178	Corporate Information
180	Glossary of Terms

Furthering **D**iversifications, Pursuing **S**ynergy.

Committed to its diversification development strategy throughout the years, Datang Power has witnessed its generation structure evolving from single-mode thermal generation into a strategically balanced deployment of thermal power, hydropower, wind power and nuclear power. Its business structure has also extended from a pure power generation operation to a chain of upstream and downstream businesses related to power generation.

In the future, based on various successful initiatives in its diversification strategy, Datang Power will further the development of its generation structure and business structure. It will continue to enhance its coal-fired power; aggressively expand its hydropower; continuously develop wind power; actively pursuing nuclear power; prudently proceed with coal-to-chemical projects; focus on suitable coal operations; and secure a complementary development of railway, port, and shipping.

Through furthering its diversifications, Datang Power marches towards all-encompassing synergistic developments, endeavouring to develop into an integrated energy company that enjoys a domestic leadership position and international reputation.

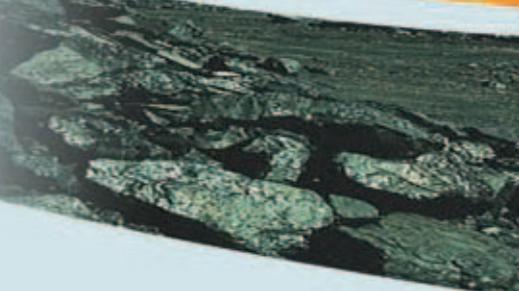
enhancing
Coal-fired Power

aggressively expanding
Hydropower

continuously developing
Wind Power

actively pursuing
Nuclear Power

focusing on suitable
Coal Operations



Company Profile



Pursuing the power generation business as its core development, complementing with synergistic diversifications

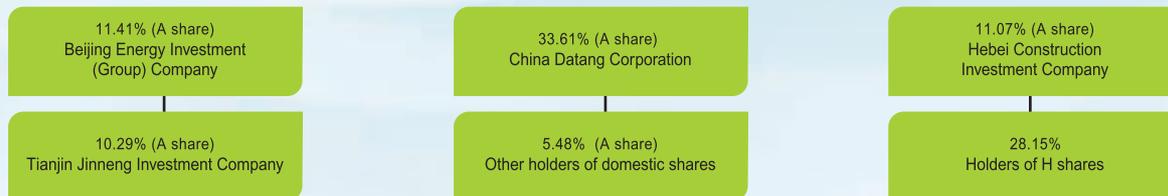
Strategic Positioning

- *The Company focuses in the power generation business whilst deploying diversifications; and strives for profitability as a priority whilst seeking synergistic developments. Datang Power aims to develop itself into a company with an operation-cum-holding orientation, an integrated energy company that enjoys a domestic leadership position and international reputation having strong development capabilities, profitability and competitiveness.*

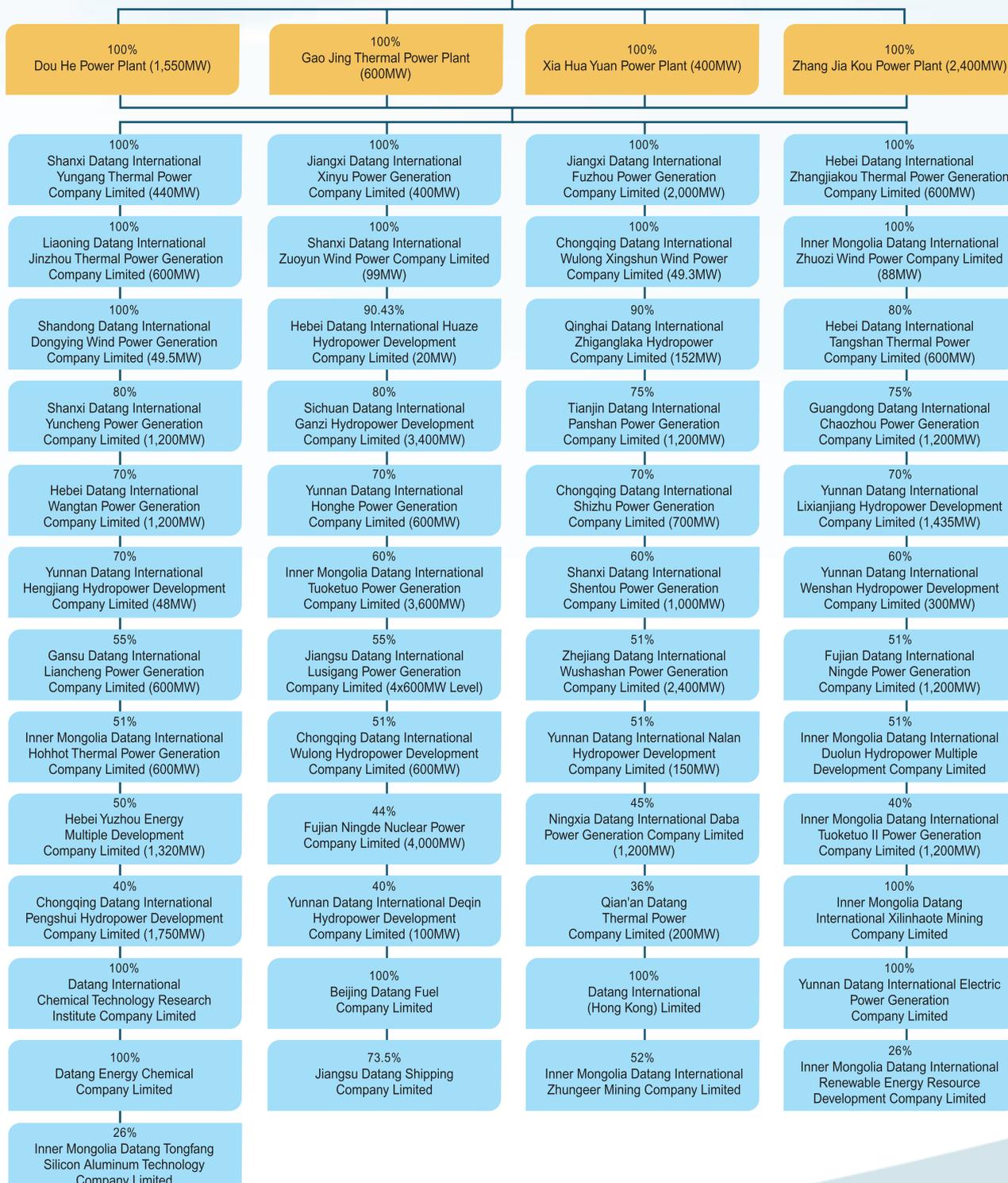
Implementation Strategies

- *The Company will uphold an integrated-assets positioning: with power generation business as its core development; with coal operations as its foundation; with coal-to-chemical projects as a new source of profits; and with railway, port, and shipping as its link. The Company will enhance its coal-fired power; aggressively expand its hydropower; continuously develop wind power; actively pursue nuclear power; prudently proceed with coal-to-chemical projects; focus on suitable coal operations; and secure a complementary development of railway, port, and shipping.*

Datang International Power Generation Company Limited (“Datang Power” or the “Company”, formerly Beijing Datang Power Generation Company Limited) was incorporated as a joint stock limited company and registered with the State Administration for Industry and Commerce of the People’s Republic of China (the “PRC”) on 13 December 1994. As one of the largest independent power producers in China, Datang Power is principally engaged in the development and operation of power plants, the sale of electricity and thermal power, and the repair and maintenance of power equipment and power related technical services. Currently, the Company manages over 50 power generation companies (which it wholly owns or has a controlling interest in, plus other project companies covering 18 provinces throughout the country (municipalities and autonomous regions). As at the end of 2008, the registered capital of the Company amounted to approximately RMB 11.695 billion, with a total consolidated assets of the Company and its subsidiaries amounting to approximately RMB 157.392 billion. The total installed capacity in operation of the Company and its subsidiaries amounted to 25,096.7MW.

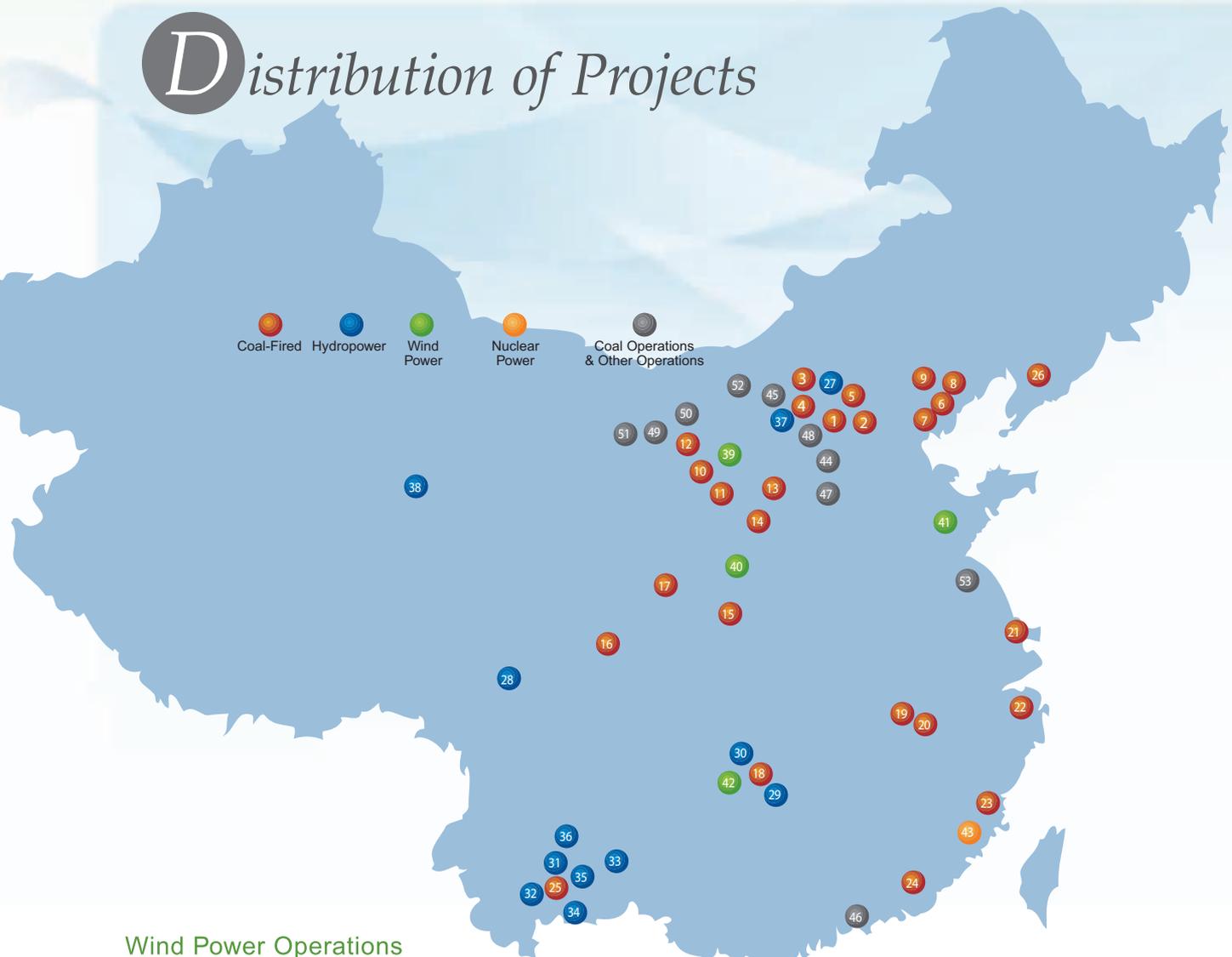


大唐国际发电股份有限公司
DATANG INTERNATIONAL POWER GENERATION CO., LTD.



* The above are the conditions of the major companies under the Company's management (with equity interests or controlling interests) as at the latest practicable date.

Distribution of Projects



Wind Power Operations

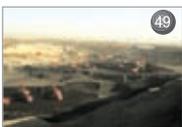


- 39 Inner Mongolia Datang International Zhuozi Wind Power Company Limited ("Zhuozi Windpower Company") Inner Mongolia Autonomous Region
- 40 Shanxi Datang International Zuoyun Wind Power Company Limited ("Zuoyun Windpower Company") Shanxi Province
- 41 Shandong Datang International Dongying Wind Power Generation Company Limited ("Dongying Windpower Company") Shandong Province
- 42 Chongqing Datang International Wulong Xingshun Wind Power Company Limited ("Xingshun Windpower Company") Chongqing City
- 43 Fujian Ningde Nuclear Power Company Limited ("Ningde Nuclear Power Company") Fujian Province

Nuclear Power Operations

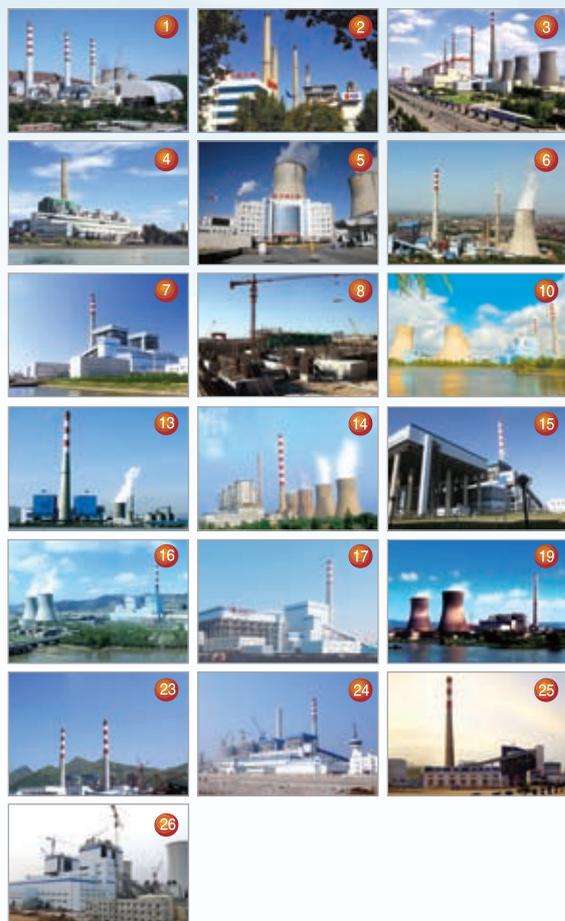


Coal Operations & Other Operations



- 44 Datang Energy Chemical Company Limited Beijing City
- 45 Hebei Yuzhou Energy Multiple Development Company Limited ("Yuzhou Energy Company") Hebei Province
- 46 Datang International (Hong Kong) Limited ("Hong Kong Company") Hong Kong
- 47 Datang International Chemical Technology Research Institute Company Limited ("Chemical Technology Development Institute") Beijing City
- 48 Beijing Datang Fuel Company Limited ("Fuel Company") Beijing City
- 49 Inner Mongolia Datang International Xiinhaote Mining Company Limited ("Xiinhaote Mining Company") Inner Mongolia Autonomous Region
- 50 Inner Mongolia Datang International Renewable Energy Resource Development Company Limited ("Renewable Energy Company") Inner Mongolia Autonomous Region
- 51 Inner Mongolia Datang Tongfang Silicon Aluminum Technology Company Limited ("Silicon Aluminum Technology Company") Inner Mongolia Autonomous Region
- 52 Inner Mongolia Datang International Zhungeer Mining Company Limited ("Zhungeer Mining Company") Inner Mongolia Autonomous Region
- 53 Jiangsu Datang Shipping Company Limited Jiangsu Province

Coal-Fired Power Operations



- 1 Gao Jing Thermal Power Plant Beijing City
- 2 Dou He Power Plant Hebei Province
- 3 Zhang Jia Kou Power Plant Hebei Province
- 4 Xia Hua Yuan Power Plant Hebei Province
- 5 Tianjin Datang International Panshan Power Generation Company Limited ("Panshan Power Company") Tianjin City
- 6 Hebei Datang International Tangshan Thermal Power Company Limited ("Tangshan Thermal Power Company") Hebei Province
- 7 Hebei Datang International Wangtan Power Generation Company Limited ("Wangtan Power Company") Hebei Province
- 8 Hebei Datang International Zhangjiakou Thermal Power Generation Company Limited ("Zhang Jia Kou Thermal Power Company") Hebei Province
- 9 Qian'an Datang Thermal Power Company Limited ("Qian'an Thermal Power Company") Hebei Province
- 10 Inner Mongolia Datang International Tuoketuo Power Generation Company Limited ("Tuoketuo Power Company") Inner Mongolia Autonomous Region
- 11 Inner Mongolia Datang International Tuoketuo II Power Generation Company Limited ("Tuoketuo II Power Company") Inner Mongolia Autonomous Region
- 12 Inner Mongolia Datang International Hohhot Thermal Power Generation Company Limited ("Hohhot Thermal Power Company") Inner Mongolia Autonomous Region
- 13 Shanxi Datang International Yungang Thermal Power Company Limited ("Yungang Thermal Power Company") Shanxi Province
- 14 Shanxi Datang International Shentou Power Generation Company Limited ("Shentou Power Company") Shanxi Province
- 15 Shanxi Datang International Yuncheng Power Generation Company Limited ("Yuncheng Power Company") Shanxi Province
- 16 Gansu Datang International Liancheng Power Generation Company Limited ("Liancheng Power Company") Gansu Province
- 17 Ningxia Datang International Daba Power Generation Company Limited ("Daba Power Company") Ningxia Hui Autonomous Region
- 18 Chongqing Datang International Shizhu Power Generation Company Limited ("Shizhu Power Company") Chongqing City
- 19 Jiangxi Datang International Xinyu Power Generation Company Limited ("Xinyu Power Company") Jiangxi Province
- 20 Jiangxi Datang International Fuzhou Power Generation Company Limited ("Fuzhou Power Company") Jiangxi Province
- 21 Jiangsu Datang International Lusigang Power Generation Company Limited ("Lusigang Power Company") Jiangsu Province
- 22 Zhejiang Datang International Wushashan Power Generation Company Limited ("Wushashan Power Company") Zhejiang Province
- 23 Fujian Datang International Ningde Power Generation Company Limited ("Ningde Power Company") Fujian Province
- 24 Guangdong Datang International Chaozhou Power Generation Company Limited ("Chaozhou Power Company") Guangdong Province
- 25 Yunnan Datang International Honghe Power Generation Company Limited ("Honghe Power Company") Yunnan Province
- 26 Liaoning Datang International Jinzhou Thermal Power Generation Company Limited ("Jinzhou Thermal Power Company") Liaoning Province

Hydropower Operations



- 27 Hebei Datang International Huaze Hydropower Development Company Limited ("Huaze Hydropower Company") Hebei Province
- 28 Sichuan Datang International Ganzi Hydropower Generation Development Company Limited ("Ganzi Hydropower Company") Sichuan Province
- 29 Chongqing Datang International Pengshui Hydropower Development Company Limited ("Pengshui Hydropower Company") Chongqing City
- 30 Chongqing Datang International Wulong Hydropower Development Company Limited ("Wulong Hydropower Company") Chongqing City
- 31 Yunnan Datang International Electric Power Generation Company Limited ("Yunnan Power Company") Yunnan Province
- 32 Yunnan Datang International Lixianjiang Hydropower Development Company Limited ("Lixianjiang Hydropower Company") Yunnan Province
- 33 Yunnan Datang International Nalan Hydropower Development Company Limited ("Nalan Hydropower Company") Yunnan Province
- 34 Yunnan Datang International Wenshan Hydropower Development Company Limited ("Wenshan Hydropower Company") Yunnan Province
- 35 Yunnan Datang International Deqin Hydropower Development Company Limited ("Deqin Hydropower Company") Yunnan Province
- 36 Yunnan Datang International Hengjiang Hydropower Development Company Limited ("Hengjiang Hydropower Company") Yunnan Province
- 37 Inner Mongolia Datang International Duolun Hydropower Multiple Development Company Limited ("Dolun Hydropower Company") Inner Mongolia Autonomous Region
- 38 Qinghai Datang International Zhiganglaka Hydropower Company Limited ("Zhiganglaka Hydropower Company") Qinghai Province

Major Events in 2008



Coal-fired Power

During the Year, the National Development and Reform Commission (the “NDRC”) approved three coal-fired power projects of the Company, including the Phase 4 Project of Inner Mongolia Tuoketuo Power Plant, a new construction project of “Large Generating Units Replacing Small Ones” with 2x300MW at Jinzhou Thermal Power Company and the Fengrun Thermal Power Project.



Hydropower

During the Year, Pengshui Hydropower Project achieved the objective of commissioning five generating units within a year, setting a new record for the construction of large-scale hydropower projects in China and signifying the Company’s historic breakthrough in the construction of hydropower projects. In December, the NDRC approved the Yinpan Hydropower Project. This was the only approved large-to-medium hydropower project in China for the Year and achieved a major breakthrough for the Company’s preliminary work on hydropower.



Wind Power

During the Year, the progress on the Company’s wind power was pleasing. Phase 1 of the Zhuozi Wind Power Project (40MW) commenced commercial operation. Wind power projects (a total of 391.3MW) such as Phase 1 of the Hebei Fengning Luotuogou Wind Power Project (48MW), Phase 1 of the Dongying Wind Power Project (49.5MW), Phase 1 of the Hongmu Wind Power Project (49.5MW), Phase 2 of the Zuoyun Wind Power Project (49.5MW), the Hebei Fengning Batou Wind Power Project (48MW), the Hebei Dahexi Wind Power Project (49.5MW), the Chongqing Siyanping Wind Power Project (49.3MW) and Phase 3 of the Zhuozi Wind Power Project (48MW) were approved.



Nuclear Power

The Fujian Ningde Nuclear Power Station, which was jointly invested and established by the Company, Guangdong Nuclear Power Investment Company Limited and Fujian Coal Industrial (Group) Corporation, commenced construction in February. This nuclear power station is China’s first nuclear power station established on an island.



Coal Mine Operations

In December, the Company received an approval from the NDRC for Phase 1 of the East Unit 2 open-cut coal mine project of Shengli Coal Mine in Inner Mongolia Autonomous Region. This coal mine is one of the ten major 10 million-tonnes-grade open-cut coal mines under the “Eleventh Five-year Plan” of the State’s development in the coal industry. The designated production scale of Phase 1 of the project is 10 million tonnes per year; the planned production scale of Phase 2 is 30 million tonnes per year; and the long-term production scale is 60 million tonnes per year. By that time, the project will be the largest single-pit open-cut coal mine in the world.



Railway Transportation

In August, a reserved railway line for Xilinhaote Mining Company commenced full operation, which created favourable conditions for the mass transportation of coal from the East Unit 2 coal mine of Shengli Coal Mine.



Shipping

In February, the coal vessel “Datang Power #1” began its maiden voyage. This signified the Company’s breakthrough in having its own transportation vessel, marking a milestone for the Company’s assets chain extension from its core power generation business in a bid to speed up the development of the power generation business.



Technological Achievements

In October, Renewable Energy Company made breakthrough progress on the pilot project of “Production of aluminium silicon titanium alloy by integrated use of high-aluminium pulverised fuel ash”. A complete success was achieved in its critical phase – industrial test – involving the use of high-aluminium pulverised fuel ash to successfully produce qualified aluminum hydroxide clinker. This has filled the void in the relevant high-technology area in the domestic and overseas markets.

Financial and Operating Highlights

Consolidated Income Statements

(Amounts expressed in millions of RMB)

For the year ended 31 December	2004	2005	2006	2007	2008
Net operating revenue	13,584	17,994	24,899	32,763	36,836
Profit before taxation	3,663	3,863	4,664	6,063	612
Taxation	(919)	(813)	(1,081)	(1,498)	(72)
Net profit for the year attributable to:	2,744	3,050	3,583	4,566	540
– Equity holders of the Company	2,293	2,351	2,778	3,564	761
– Minority interests	451	699	805	1,001	(221)

Note: No analysis of turnover by geographical location has been prepared as 100% of turnover comes from the PRC, and no contribution to profit from any of the geographical location is substantially out of line with normal ratio of profit to turnover.

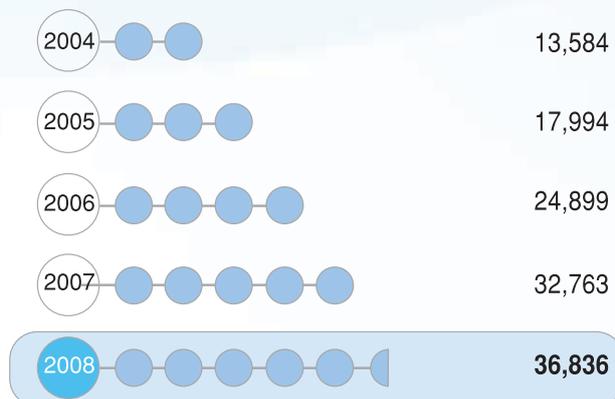
Consolidated Balance Sheet

(Amounts expressed in millions of RMB)

As at 31 December	2004	2005	2006	2007	2008
Total assets	49,475	64,536	90,711	119,789	157,392
Total liabilities	(30,396)	(43,807)	(63,510)	(85,434)	(126,747)
Minority interests	(1,969)	(2,404)	(3,305)	(4,599)	(4,654)
Shareholders' equity of the Company	17,110	18,325	23,896	29,756	25,991

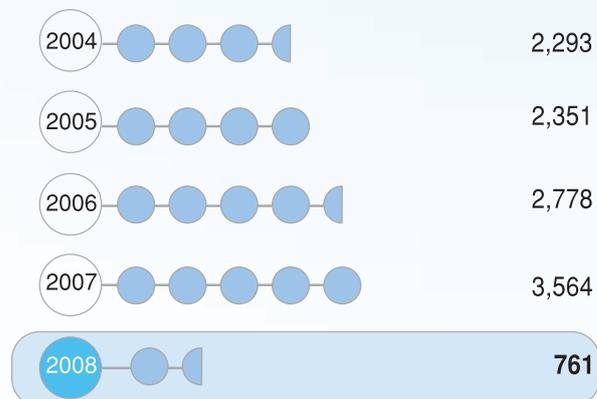
Consolidated Income

(RMB million)



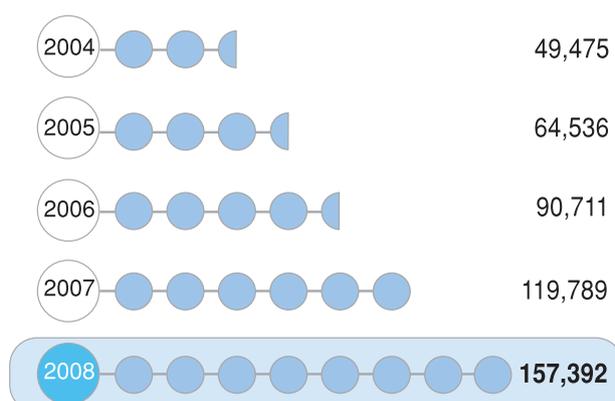
Consolidated Profit Attributable to Equity Holders of the Company

(RMB million)



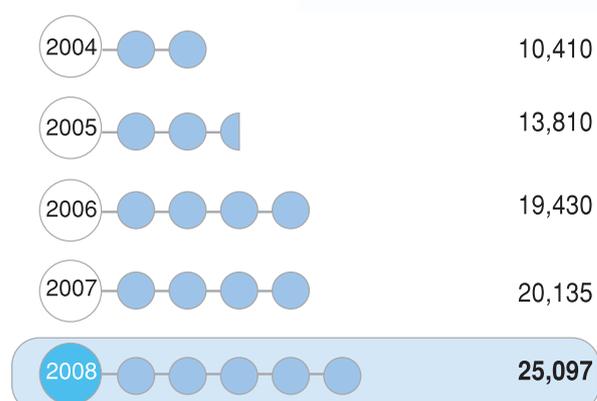
Total Consolidated Assets

(RMB million)



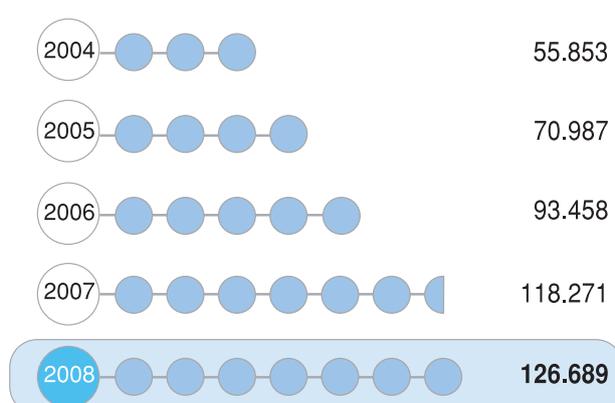
Total Installed Capacity

(MW)



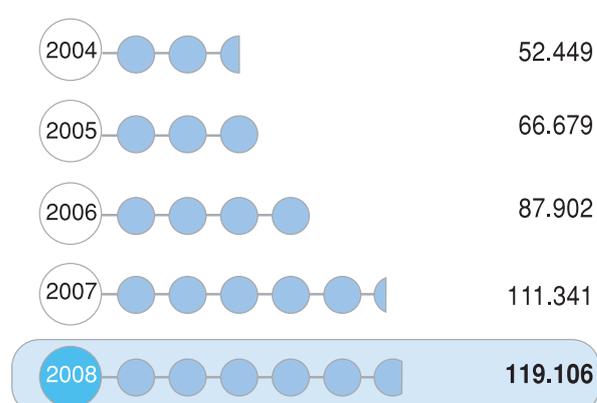
Gross Generation

(billion kWh)



On-grid Generation

(billion kWh)



Chairman's Statement



enhancing **Coal-fired Power**
maximising economic benefits

To all shareholders:

Year 2008 was an unusual year in the history of China's power development. Whether it was the unprecedented rainstorms and snowstorms in southern China, the severe earthquake in Wenchuan on 12 May, the global financial crisis, the continuous rise of coal prices or the significant drop of power demand, all had significant impact

on China's power companies. Facing such difficult operating situations, the entire staff of Datang Power were united to tackle the challenges and successfully completed the year's power generation and operation tasks, continuing to push ahead the stable and rapid development of the Company.



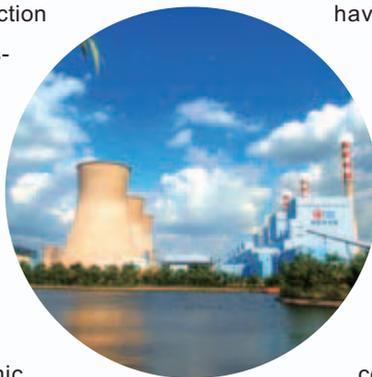
Zhai Ruoyu
Chairman

For the year ended 31 December 2008, total consolidated assets of the Company and its subsidiaries amounted to approximately RMB 157.392 billion, an increase of approximately 31.4% over the year of 2007 (the "Previous Year"). Consolidated operating revenue amounted to approximately RMB 36.836 billion, an increase of approximately 12.4% over the Previous Year. Profit attributable to the Company's shareholders amounted to approximately RMB 761 million, a decrease of approximately 78.6% over the Previous Year. Earnings per share was approximately RMB 0.06, a decrease of approximately RMB 0.25 per share over the Previous Year. As at 31 December 2008, the Company and its subsidiaries managed a total installed capacity of 25,096.7MW.

During 2008, the Company continued to maintain a high level of safe production with an overall equivalent availability factor of operational generating units amounting to 95.64% for the Company and its subsidiaries, representing an increase of 1.02 percentage-points over the Previous Year. Power generated by the Company and its subsidiaries amounted to 126.7 billion kWh, an increase of 7.12% over the Previous Year. Unit coal consumption was approximately 331.46 g/kWh, a decrease of approximately 4.87 g/kWh over the Previous Year.

Looking forward to 2009, China's power generation companies will face a situation that can be summed up as "five major opportunities" and "two major challenges". As for the "five major opportunities", the first is the easing of imbalance between supply and demand of coal and the decline of coal prices. Secondly, the increase of investment by the State will create room for corporate development. Thirdly, a full implementation of the value-added tax reform will be an objective factor driving profit growth for enterprises. Fourthly, as monetary policies have been relaxed, the difficulties for corporate financing are expected to decrease. The fifth opportunity is the State's support towards the construction of major energy-saving and emissions-reduction projects, thereby making energy savings and emissions reduction the new sources of production and consumption growths.

As for the "two major challenges", the first is the continued weak demand for power amid the slowdown of economic growth. The second challenge is that the power industry will face substantial demand for capital for their developments. How to secure substantial capital to support project development through various effective channels has become an important issue for power companies in 2009.



In general, opportunities and challenges co-exist as usual for power generation companies in 2009. Facing this scenario, Datang Power has proposed and formulated a strategy of "pursuing the power generation business as its core development whilst complementing with synergistic diversifications". The Company focuses in the power generation business whilst deploying diversifications; and strives for profitability as a priority whilst seeking synergistic developments. Datang Power aims to develop itself into a company with an operation-cum-holding orientation, an integrated energy company that enjoys a domestic leadership position and international reputation having strong development capabilities, profitability and competitiveness, so as to seek long-term competitiveness for the Company and to achieve stable returns for shareholders.

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

Last but not least, may I express my sincere gratitude to all shareholders, various organisations and friends for their trust and support.

Zhai Ruoyu
Chairman

30 March 2009

M^amanagement Discussion and Analysis



*aggressively expanding **Hydropower**
optimising power generating structure*

During the Year, the Company was confronted with unprecedented challenges in its operation and development under a grim operating environment. Facing such enormous operating pressure, the Company took initiatives in planning budgets, rigorously enhancing production and operation, and stringently controlling costs and expenses, with a view to conscientiously mitigating the impact of various factors that depressed profits and ensuring steady, safe and orderly production and operation management of the Company, thereby maintaining profitability for the Company.

Operating Environment

During the Year, the PRC's economy maintained steady rapid growth, with a 9% Gross Domestic Product (GDP) growth reported, representing a decrease of 4 percentage-points as compared to the Previous Year. Although the power industry in the PRC experienced various tests including natural disasters and assuring sufficient power supply for the Olympic Games, it continued to maintain growth in new power generation capacity. However, as a result of the global financial crisis, the growth of demand for power consumption has slowed, thereby leading to significant decreases in the growth of power generation and power consumption. According to relevant information, during the Year, approximately 91,000MW of installed capacity was newly added nationwide. The social power consumption increased by 5.23% over the Previous Year, while the nationwide power generation increased by approximately 5.18% over the Previous Year. During

Cao Jingshan
President



the Year, the imbalance between the supply and demand of thermal coal was further aggravated and thermal coal prices continued to rise at high levels with a marked deterioration in quality, thereby severely undermining the profitability of power generation companies.

Business Review

1. Maintained Safe and Stable Growth in Power Production

During the Year, total power generation of the Company and its subsidiaries amounted to 126.689 billion kWh, representing an increase of 7.12% when compared to the Previous Year. Total on-grid power generation amounted to 119.106 billion kWh, representing an increase of 6.97% over the Previous Year.

The increases in total power generation and on-grid power generation were mainly attributable to an increase

in the capacity of operational generating units of the Company and its subsidiaries as well as the safe and stable operation of the generating units.

- (1) Comparing to the Previous Year, the Company and its subsidiaries' newly installed capacity increased by 5,162MW. Given the shutdown of a 200MW generating unit at Xia Hua Yuan Power Plant, the Company and its subsidiaries had a net capacity increase of 4,962MW.
- (2) During the Year, no casualties or material damage to the production facilities occurred to the Company and its subsidiaries during the course of power production. The equivalent availability factor of operational generating units amounted to 95.64%, representing an increase of 1.02 percentage-points as compared to the Previous Year.

Details of the power generation of the Company and its subsidiaries for the year of 2008 (Unit: billion kWh)

No.	Power Plant/Company Name	Power Generation for 2008	Growth (%)
1	Gao Jing Thermal Power Plant	3.6085	4.17
2	Dou He Power Plant	9.0000	-19.67
3	Xia Hua Yuan Power Plant	1.4706	-42.48
4	Zhang Jia Kou Power Plant	13.8252	-8.72
5	Panshan Power Company	6.5812	-7.79
6	Tuoketuo Power Company	19.8900	-8.29
7	Yungang Thermal Power Company	2.7603	-3.67
8	Tangshan Thermal Power Company	4.2266	11.32
9	Shentou Power Company	5.6071	-2.39
10	Liancheng Power Company	3.8333	-6.73
11	Wangtan Power Company	7.5838	0.09
12	Wushashan Power Company	14.2222	0.41
13	Chaozhou Power Company	7.0537	17.49
14	Ningde Power Company	6.9480	-2.25
15	Honghe Power Company	3.0725	-21.64
16	Yuncheng Power Company	4.6386	Applicable
17	Xinyu Power Company	1.8444	299.65
18	Hohhot Thermal Power Company	1.1393	Applicable
19	Huaze Hydropower Company	0.0260	14.04
20	Nalan Hydropower Company	0.6350	4.94
21	Lixianjiang Hydropower Company	2.0368	195.40
22	Duolun Hydropower Company	0.0079	1.28
23	Pengshui Hydropower Company	3.4580	Applicable
24	Zhiganglaka Hydropower Company	0.5288	Applicable
25	Zhuozi Windpower Company	0.0917	Applicable
26	Tuoketuo Power Plant Phase IV	2.5995	Applicable
	Total	126.6890	7.12

2. Achieved Remarkable Results in Energy Savings and Emissions Reduction

During the Year, while striving to increase power generation, the Company proactively responded to the State's appeal for environmental protection, energy savings and emissions reduction by pushing forward environmental management and implementing "Green Operations". During the Year, the Company established

an environmental protection online supervision system in order to obtain timely data related to environmental protection of the enterprises belonging to the Company. Meanwhile, the Company endeavoured to commence technology innovation to enhance the operational mode of the generating units so as to raise their energy efficiency. During the Year, the coal consumption of the Company decreased by approximately 4.87g/kWh over the Previous Year, while the consolidated electricity consumption rate of power plants was 6.01%.

Since 2004, the Company has successively invested RMB 2.7 billion in environmental protection works for its power plants. As at the end of 2008, the coal-fired generating units of the Company and its subsidiaries achieved a desulphurisation facilities installation rate of 100%. The emission rates of smoke ash, sulphur dioxide, nitrogen oxides and waste water decreased by 24.74, 62.72, 20.82 and 1.11 percentage-points, respectively, over the Previous Year, which are substantially lower than the national average levels.

The Company also focused on strengthening the management of water saving in coal-fired power plants and proactively promoted the application of new technologies, new techniques, new systems and new equipment on water saving. As at the end of 2008, eight air-cooling generating units and ten seawater-cooling generating units commenced operation, thereby leading to a decrease of 37.8% in water consumption per unit power generation of the Company. The Company valued the recycling of water resources and carried out treatment and recycling of industrial waste water. Ten of its enterprises including Xia Hua Yuan Power Plant and Gao Jing Thermal Power Plant realised "zero drainage" of industrial waste water.

The Company took an active role in the development of a recycling economy, emphasizing the strengthening of recycled and integrated use of pulverised fuel ash, desulphurised gypsum and waste water, as well as the development and the use of high-aluminium pulverised fuel ash. In 2008, the Company's integrated use of pulverised fuel ash amounted to 11.54 million tonnes with an integrated use rate of 65.7%.

3. Implemented Turn-around and Profit Enhancing Measures

During the Year, impacted by unfavourable factors such as a surge in fuel coal prices, a decrease in power demand, limited increases in tariffs and difficulties in financing for companies, the Company witnessed a sharp decline in its profitability. Faced with such tough operating environment, the Company kept abreast of the trends of the market while taking initiatives in planning budgets, strengthening internal management and at the same time creating a favourable external environment, thereby rigorously enhancing production and operation:

- (1) stepped up efforts in pressing delivery and transport of fuel coal, expanded procurement channels, and effectively controlled fuel costs;
- (2) conscientiously coordinated and reasonably realigned the operation method of generating units, thereby achieving “every watt counts”;
- (3) adjusted the priority of power generation with higher profit margins and optimised the power generation structure, with a view to maximising economic efficiency;
- (4) increased revenue through measures including implementing the fuel-tariff pass-through mechanism, proactively seeking adjustments in thermal prices and ensuring the securing of satisfactory desulphurisation tariff rates. In particular, two implementations of fuel-tariff pass-through mechanisms have increased revenue by approximately RMB 1,500 million; the increases of thermal prices of certain power plants have increased revenue by RMB 48 million; and the desulphurisation tariff rates secured have increased revenue by RMB 500 million;
- (5) strengthened daily profit analysis, and implemented cash management and control measures in order to enhance funds usage efficiency.



Through thorough organisation and conscientious work, profit for the Company has been ensured. During the Year, the Company and its subsidiaries realised net profit attributable to equity holders of the Company of approximately RMB 761 million, representing a decrease of approximately 78.64% compared to the Previous Year.

4. Achieved Breakthroughs in Project Construction Works

During the Year, the Company's preliminary works in coal-fired, hydropower, nuclear power and wind power proceeded smoothly with sixteen projects being approved by the State. Of these approved projects, five were coal-fired power projects with a total capacity of 3,600MW; two were hydropower projects with a total capacity of 700MW; and eight were wind power projects with a total capacity of 391.3MW. Meanwhile, Phase 1 of the Fujian Ningde Nuclear Power Project with a total capacity of 4,000MW was approved and officially commenced construction. On non-power business, Phase 1 of the East Unit 2 Coal Mine of Shengli Coal Mine, Baihao Railway and Phase 2 of Hufeng Railway were approved. The details are as follows:

Coal-fired power projects: Two 600MW generating units at Phase 4 of the Tuoketuo Power Generation Project; two 300MW generating units at the Jinzhou Thermal Power Project; two 300MW generating units at Phase 2 of the Yungang Thermal Power Project; two 300MW generating units at the Zhang Jia Kou Thermal Power Project; and two 300MW generating units at the Fengrun Thermal Power Project.

Hydropower projects: The Yinpan Hydropower Project with a generating capacity of 600MW; and the Dandahe Hydropower Project with a generating capacity of 100MW.

Nuclear power project: Four 1,000MW generating units at Phase 1 of the Ningde Nuclear Power Project.

Wind power projects: Phase 2 of the Shanxi Zuoyun Wind Power Project with a generating capacity of 49.5MW; Phase 1 of the Hebei Fengning Luotugou Wind Power Project with a generating capacity of 48MW; the Shandong Dongying Wind Power Project with a generating capacity of 49.5MW; Phase 1 of the Inner Mongolia Hongmu Wind Power Project with a generating capacity of 49.5MW; the Batou Wind Power Project with a generating capacity of 48MW; the Chongqing Siyanping Wind Power Project with a generating capacity of 49.3MW; Phase 3 of the Zhuozi Wind Power Project with a generating capacity of 48MW; and the Dahexi Wind Power Project with a generating capacity of 49.5MW.

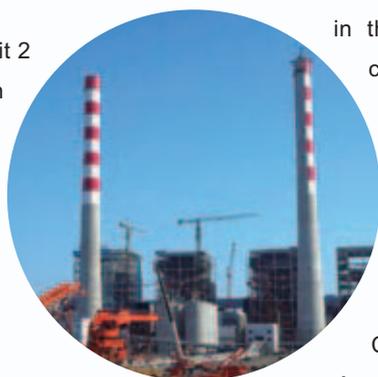
Coal mine projects: Phase 1 of East Unit 2 Coal Mine of Shengli Coal Mine (with an annual production capacity of 10 million tonnes).

Railway projects: Baihao Railway (73km), and Phase 2 of Hufeng Railway (48km).

During the Year, the staff of the Company and its subsidiaries overcame various challenges, such as frequent natural disasters, difficulties in securing delivery of generation facilities and in carrying out construction works. Through carrying out conscientious organisation and coordination work, the Company managed to keep its schedule of construction-in-progress basically under control. During the Year, generating units with a total capacity of 5,162MW successfully commenced operation. The Duolun Coal Chemical Project entered into the trial run stage, while East Unit 2 Coal Mine of Shengli Coal Mine commenced production of coal, among which:

- 3,220MW of capacity was added to coal-fired power projects, including: two 600MW generating units at Yuncheng Power Company; two 600MW generating units at Phase 4 of the Tuoketuo Power Generation Project; two 300MW generating units at Hohhot Thermal Power Company; and one 220MW generating unit at Qian'an Datang Thermal Power Generation Company Limited.

- 1,902MW of capacity was added to hydropower projects, including: 1,750MW generating units at Pengshui Hydropower Company and 152MW generating units at the newly acquired Qinghai Zhiganglaka Hydropower Project. In particular, five generating units were commissioned within a year at the Pengshui Hydropower Project, setting a new record for the construction of large-scale hydropower projects in China.
- 40MW of capacity was added to wind power projects: generating units with a total capacity of 40MW at Phase 1 of the Zhuozi Wind Power Project located in the Inner Mongolia Autonomous Region commenced commercial operation during the Year.



As at the end of 2008, the generation capacities of coal-fired power, hydropower and wind power accounted for 89.29%, 10.55%, and 0.16% of the Company's installed capacity, respectively.

As compared to the Previous Year, the ratio of coal-fired power decreased by 7.03%, while the ratios of hydropower and wind power increased by 6.87% and 0.16%, respectively. The Company's power generation structure was further optimised.

5. Innovative Technology Led to Fruitful Results

During the Year, targeting various kinds of technical difficulties, the Company reinforced efforts on developing various innovative technologies and conducted scientific research. Accordingly, remarkable results were achieved. Of these results, Honghe Power Company, the controlling subsidiary of the Company, was awarded the second prize of the National Scientific and Technological Advancement Awards for its Demonstration Project for Circulating Fluidised Bed Generating Units and its Domestic Production Project. The industrial test for producing silicon, aluminum and titanium with the use of power coal ash led by Renewable Energy Company,

a controlling subsidiary of the Company, succeeded and passed the result accreditation of the Science and Technology Department of the Inner Mongolia Autonomous Region. Such technology was a pioneer among similar technologies in China and overseas, signalling a big step forward in the integrated use of powder coal ash technology of which the PRC owns the proprietary intellectual property rights.

Major Financial Indicators and Analysis

During the Year, the Company and its subsidiaries realised RMB 36,836 million in operating revenue, representing a 12.43% increase over the Previous Year. Net profit attributable to equity holders of the Company amounted to RMB 761 million, representing a 78.64% decrease over the Previous Year. Basic earnings per share attributable to equity holders of the Company was approximately RMB 0.06, representing a decrease of RMB 0.25 per share over the Previous Year.

1. Operating Revenue

The revenues from principal activities of the Company and its subsidiaries mainly comprise revenues from electricity sales and heat sales. During the Year, the Company and its subsidiaries achieved an operating revenue of RMB 36,836 million, representing an increase of 12.43% over the Previous Year. Of the operating revenue, revenue from electricity sales increased by RMB 3,443 million.

2. Operating Costs

During the Year, total operating costs of the Company and its subsidiaries amounted to RMB 33,906 million, representing an increase of approximately RMB 9,066 million or approximately 36.50% over the Previous Year.

During the Year, fuel costs accounted for 66.38% of the operating costs of the Company and its subsidiaries. As a result of an increase in commencements of operation of newly installed generating units and an increase in power generation of the Company and its subsidiaries, as well as surging fuel prices, particularly, fuel costs rose

by approximately RMB 7,249 million or approximately 47.51% over the Previous Year, exceeding the growth rate of operating revenue.

3. Net Financing Costs

During the Year, financing costs of the Company and its subsidiaries amounted to RMB 3,665 million, representing an increase of approximately RMB 1,603 million or 77.71% over the Previous Year. The significant increase was mainly due to the termination of capitalisation of interests for newly installed generating units and a rise in interest expenses caused by an increase in the amount of borrowings during the Year.

4. Profit Before Tax and Net Profit

During the Year, the Company and its subsidiaries reported a profit before tax amounting to RMB 612 million, representing a decrease of 89.90% over the Previous Year. Net profit attributable to equity holders of the Company amounted to approximately RMB 761 million, representing a decrease of 78.64% over the Previous Year. The decrease in profit of the Company and its subsidiaries was mainly attributable to the substantial increase in fuel cost.

5. Financial Position

As at 31 December 2008, total assets of the Company and its subsidiaries amounted to approximately RMB 157.392 billion, representing an increase of approximately RMB 37,603 million as compared to the end of 2007. The increase in total assets mainly resulted from the implementation of the expansion strategy by the Company and its subsidiaries which led to a corresponding increase in investments in construction-in-progress.

Total liabilities of the Company and its subsidiaries amounted to approximately RMB 126.747 billion, representing an increase of approximately RMB 41,313 million over the end of 2007. Of the total liabilities, long-term liabilities increased by approximately RMB 28,033 million over the end of 2007. Equity attributable to equity holders of the Company amounted to approximately RMB 25,990 million, representing a decrease of approximately

RMB 3,766 million over the end of 2007. Weighted average net asset value per share attributable to equity holders of the Company amounted to RMB 2.21, representing a decrease of RMB 0.35 per share over the end of 2007.

The asset-to-liability ratio of the Company and its subsidiaries was 80.53%, representing an increase of approximately 9.21 percentage-points comparing to that of 71.32% over the end of 2007, which was mainly attributable to appropriate debt financing carried out by the Company for its development needs.

6. Liquidity

As at 31 December 2008, the asset-to-liability ratio for the Company and its subsidiaries was approximately 80.53%. The net debt-to-equity ratio (i.e. (loans + convertible bonds – cash and cash equivalents – bank deposits – marketable securities)/owners' equity) was approximately 334.70%.

As at 31 December 2008, cash and cash equivalents of the Company and its subsidiaries amounted to approximately RMB 4,978 million and bank deposits with a maturity of over 3 months amounted to approximately RMB 30 million, while restricted monetary assets amounted to approximately RMB 460 million, of which deposits equivalent to approximately RMB 121 million were foreign currency deposits. The Company and its subsidiaries had no entrusted deposits or overdue fixed deposits during the Year.

As at 31 December 2008, short-term loans of the Company and its subsidiaries amounted to approximately RMB 29,584 million. Other than those discounted notes receivables, the short-term loans bear annual interest rates ranging from 4.00% to 7.74%. Long-term loans (excluding those due within 1 year) amounted to approximately RMB 68,130 million and long-term loans due within 1 year amounted to approximately RMB 6,462 million. All long-term loans were at annual interest rates ranging from 3.29% to 7.83%, of which a loan equivalent to approximately RMB 1,662 million was denominated in US dollar and HK dollar.

The Company and its subsidiaries paid close attention to foreign exchange market fluctuations constantly and cautiously assessed foreign currency risks.

As at 31 December 2008, the Company did not provide any guarantee in whatever forms for any other company apart from its subsidiaries, jointly controlled entities, associates.

Outlook for 2009

Year 2009 is a critical year for implementing the State's "Eleventh Five-year Plan" and expanding domestic demand to maintain economic growth. The power industry was valued and supported by the government at various levels as it is a foundation industry for a sustainable development of the nation's economy. This has provided room for the Company's further development. However, impacted by a slowdown of the macro-economy which will in turn lead to a decrease in growth of power demand, together with a hard-to-change circumstance of high coal prices and low tariffs, profitability in power generation is severely restricted. Faced with a complex and ever-changing situation, after prudent and repeated research, the Company has re-rationalised and formulated an overall strategy that focuses on pursuing the power generation business as its core development whilst complementing with synergistic diversifications. In other words, the Company will focus on the power generation business whilst deploying diversifications; and the Company will strive for profitability as a priority whilst seeking synergistic developments. The Company will aim at developing into a company with an operation-cum-holding orientation, an integrated energy company that enjoys a domestic leadership position and international reputation having strong development capabilities, profitability and competitiveness.

Based on its strategic positioning of "focusing on pursuing the power generation business as its core development whilst complementing with synergistic diversifications", the Company will do its utmost to achieve the production and



operation targets for 2009 in view of the opportunities and challenges with a persistent focus on economic benefits and safe production. In particular, it will strive to achieve a power generation of 150 billion kWh and an increase of over 20% in operating revenue over the Previous Year. The Company will strive to dedicate efforts to the following areas of work in 2009:

1. Enhancing the long-standing mechanism for safety management to ensure safe and stable production on a continuous basis. With the implementation of a safe production accountability system as its main course of action, the Company will push ahead a systematic, regulated and standardised management of safe production. Meanwhile, it will strengthen the management of major accidents sources; enhance facilities maintenance and management; uplift the quality of inspection and repair; and maintain a stable operation of new generating units, thereby fully raising the safe operation level of generating units.
2. Continuously pushing the works on energy conservation and emissions reduction ahead in order to fulfill the Company's social responsibility for environmental protection and to promote clean production: Based on the fact that the Company achieved a 100% installation



rate of desulphurisation facilities for all its coal-fired units, the Company will ensure the generating units' desulphurisation facilities will also operate at a 100% rate and the desulphurisation efficiency rate will reach over 90%, and that the emissions of pollutants, such as smoke ash, sulphur dioxide and nitrogen oxides will be continuously reduced.

3. Expanding income sources and reducing expenditure, and increasing revenue and reducing expenses, thereby enhancing the Company's profitability.
4. Exercising proper controls on different phases of its construction-in-progress, aiming at commencing operation safely and with high quality.
5. Actively pursuing the expansion of the Company in projects such as coal-fired power, hydropower, wind power and nuclear power as well as pursuing the development of power-related upstream and downstream projects such as coal mining, coal chemical and railway, so as to ensure the Company's sustainable development.
6. Actively expanding financing channels to secure fundings for the Company's scale expansion.
7. Strengthening various basic management work of the Company to enhance its risk control capability.



continuously developing **Wind Power**
building renewable energies

Datang Power adheres to its objective of establishing itself as a resource-conserving and environmental-friendly enterprise. It ensures that the first-class environmental protection designs, construction works and facilities are adopted, conducted and operating in its power plants, striving to achieve a coordinated development of economic efficiency and environmental protection for the enterprise. In 2008, the Company was the first among comparable-sized power companies nationwide to achieve a 100% desulphurisation facilities installation rate of its coal-fired generating units.

Enhancing Energy Saving

The Company endeavoured to carry out technology innovation to optimise the operational mode of its generating

units, strengthen the establishment of an energy-saving system, standardise the statistical management of energy consumption indicators and raise the energy efficiency of the generating units.

Reducing Resources Consumption

As at the end of 2008, eight air-cooling generating units and ten seawater-cooling generating units commenced operation, thereby leading to a decrease of 37.8% in water consumption per unit power generation of the Company. The Company valued recycling of water resources and carried out treatment and recycling of industrial waste water. Ten of its enterprises including Xia Hua Yuan Power Plant and Gao Jing Thermal Power Plant realised “zero drainage” of industrial waste water.



Coal consumption

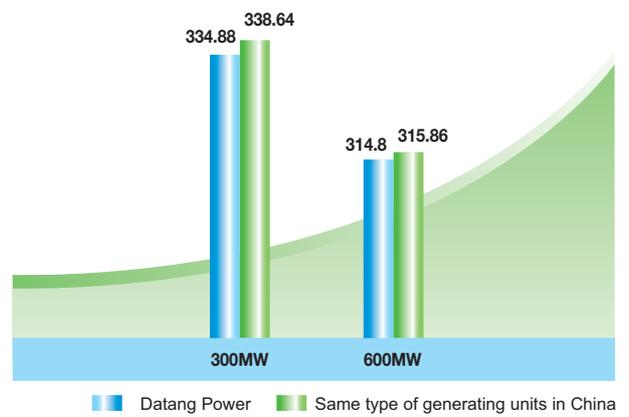
(Unit: g/kWh)



For the year ended 31 December

Comparison on coal consumption with coal-fired generating units in the industry in 2008

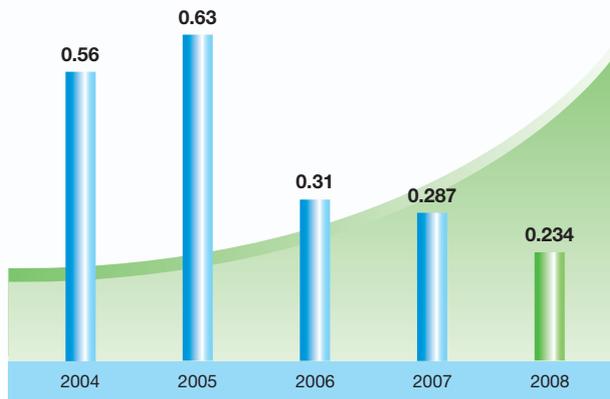
(Unit: g/kWh)



■ Datang Power ■ Same type of generating units in China

Emission of smoke ash

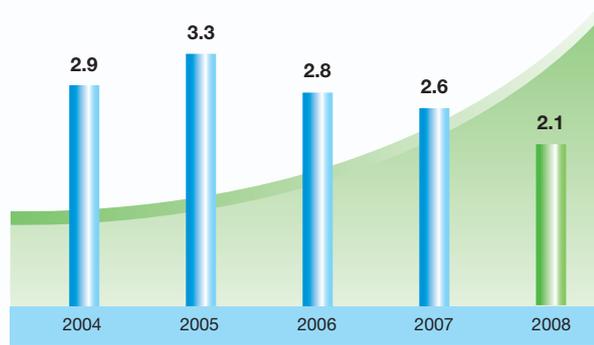
(Unit: g/kWh)



For the year ended 31 December

Emission of nitrogen oxides

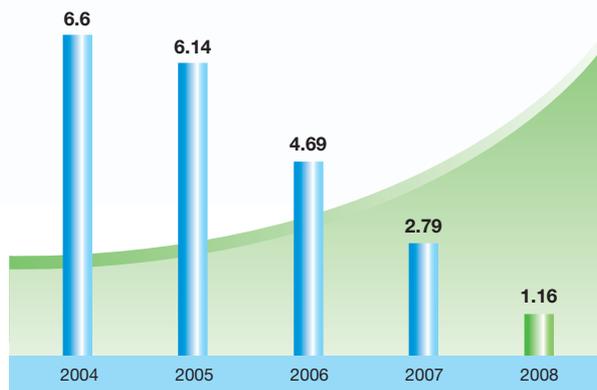
(Unit: g/kWh)



For the year ended 31 December

Emission of sulphur dioxides

(Unit: g/kWh)



For the year ended 31 December

Drainage of waste water

(Unit: kg/kWh)



For the year ended 31 December

Reducing Emissions of Pollutants

The Company proactively followed the State's emissions reduction policies through striving to develop green energies. The Company increased installed capacities of renewable energies such as hydropower and wind power. The ratio of power generation from renewable energies increased from 0.03% in 2004 to 7.1% in 2008.

The Company increased its investment in environmental protection facilities for new, upgraded and expanded generating units. The Company is the first independent power company in China to conduct denitration upgrade on its operating units and strictly implemented the "Three Concurrence" system for environmental protection facilities so as to ensure that emissions were able to meet targets. The Company invested a total of RMB 2.7 billion in successively upgrading environmental protection works on its power plants.



Desulphurisation facilities at coal-fired power plants

Strengthening Environmental Protection

The Company fully abided by international treaties, adhered to the implementation of the State's environmental protection policies and conscientiously conducted assessments on the environmental impact of its construction projects. During the process of construction, the Company paid close attention to water and soil conservation, ecological diversity protection, and vegetation protection, striving to achieve a win-win situation between the development and use of resources and ecological environment protection. Pengshui Hydropower Station is an example



Seawater Desalting System

for illustration. During project construction, concurrent planning was adopted at Pengshui Hydropower Station, i.e. measures related to water and soil conservation, ecological diversity protection and vegetation protection were concurrently adopted. In 2005, a food forest for Francois langurs was planted; relocation protection was carried out for ancient trees at flooded areas; the Zhong Hua Wen Mu Ancient Tree Protection Park was built; and environmental protection projects including fish directing facilities and fish reproduction-boosting and release stations were constructed. All such green projects were aimed at creating a beautiful and balanced ecological environment.

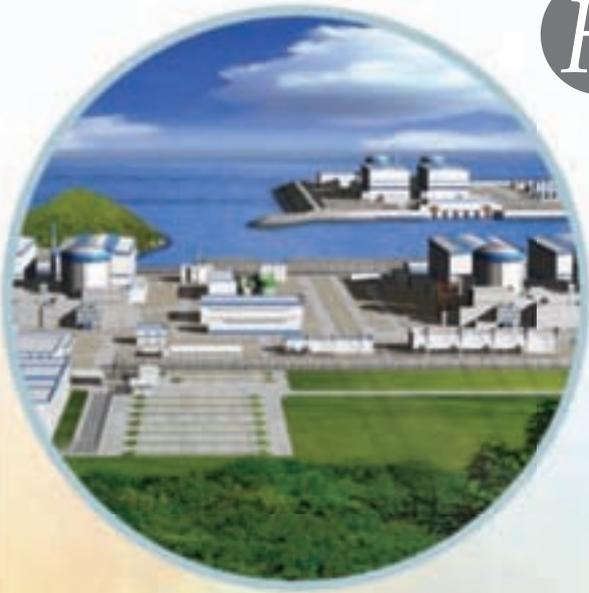
Developing a Recycling Economy

The Company took an active role in the development of a recycling economy, emphasizing the strengthening of recycled and integrated use of pulverised fuel ash, desulphurised gypsum and waste water, as well as the development and use of high-aluminium pulverised fuel ash. In 2008, the Company's integrated use of pulverised fuel ash amounted to 11.54 million tonnes with an integrated use rate of 65.7%.



Electrostatic dust remover

*H*uman Resources Overview



*actively pursuing **Nuclear Power**
broadening generation technology*

The Company believes in a scientific view of talents which emphasises “people are the prime resources” and “everyone has talent and can be successful”. It fully adheres to its motto of “respect labour, knowledge and talents” in human resources. The Company has strove to align individual growth of staff with the growth of the Company by providing staff with sufficient career development opportunities and sharing developmental achievements with them.

The Company focuses on the “second exploration of talents” which involves the incorporation of a team of talents into its overall corporate development strategy

with an aim to establish its comprehensive talent training system. The Company sets up suitable training plans for its staff with reference to the characteristics of the positions and roles of different groups, in a bid to provide staff with a growth platform, to enhance their overall quality and to encourage them to grow in their own positions. In 2008, the Company provided 2,886 training sessions of various types at different levels for its staff with enrollments of 143,708. The staff training rate was 100%.

Strengthening Our Training Bases

The accreditation of vocational skills and skill competition and examination in coal-fired power and hydropower



generation have been centralised and coordinated by Tangshan Datang International Vocational Development Centre (Datang Power Simulated Management Centre). In order to push ahead the training of technicians, each unit has gradually established its simulated training sub-centres and constructed the simulated certification training systems. After receiving a certificate issued by China Electricity Council (coal-fired power) Simulated Training Base, Datang Power Douhe Power Plant obtained a “Grade-Four Qualification Certificate” from Hebei Province Safety Production Training Institute, making up its deficiency in the skills accreditation and certification of work types under the system.



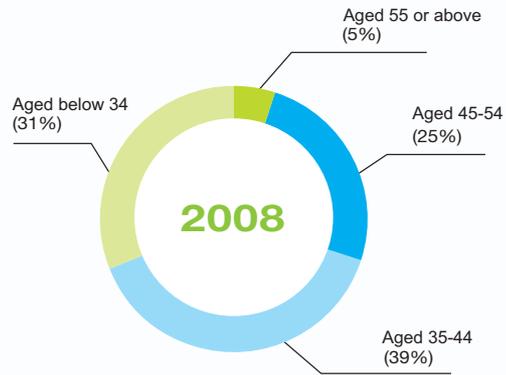
Expanding Cooperation Areas in Training

In 2008, the certification of the external training base commenced by Datang Power jointly with Northern China Electric Power University was approved by the Beijing Municipal Commission of Education. The external base was primarily set up for Datang Power Douhe Power Plant and secondarily for power plants in the Beijing-Tianjian-Tangshan Region. In order to meet the demand for human resources in nuclear power generation, the Company organised “training sessions for nuclear power talents” jointly with colleges for specific training, and professional technicians in nuclear technology were trained up for the Company.

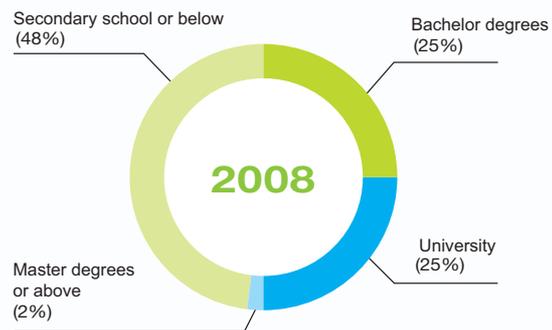
Invigorating Internal Human Resources

The Company built its team of talents while invigorating its human resources by creating an internal human resources market with clear regulations so as to revitalise staff. It also promoted internal and external mobility of human resources in an orderly manner. The Company implemented three main measures. The first measure was to encourage competition which eliminated the barriers of upward mobility between different professions and levels and encouraged its staff to fill in vacancies in other departments. Flexible staff management policies were adopted in positions. The second measure was to increase investment in technological development and streamline manpower by technological advancement. The third measure was to proactively replace smaller power plants with larger power plants so as to adjust and streamline its manpower structure. Through encouraging competition and streamlining manpower by technological advancement and structural adjustment, excess staff from obsolete power plants were actively relocated to the Company's new projects under the system to facilitate the development of these new projects and the settlement of excess staff at the same time. In 2008, internal transfers of staff amounted to 881 times.

Datang Power Employees' Structure (by Age)



Datang Power Employees' Structure (by Education Background)



Staff training in 2008	
Training programmes	2,886
Percentage of staff training	100%
Training enrollments	143,708
Among which: Corporate management	14,215
Professional technicians	14,027
Production technicians	105,208

Certification and evaluation of professional and technical qualifications of the staff	
With professional qualifications	755
With operation qualifications	1,754
With technical qualifications	1,416

Major Awards and Titles of Outstanding Individuals in 2008

One employee was awarded the “National May Day Labour Award” by the All China Federation of Trade Unions.

Two employees were honoured as National Master of Skills by the Ministry of Human Resources and Social Security.

Ten employees were honoured as Youth Master of Operation in National Enterprises by the National Enterprise Youth Union.

One employees were honoured as National Master of Skills in the Power Industry by the China Electricity Council and the Committee of China’s Work Union for Energy and Chemical Industries.

Nine employees were honoured as Master of Techniques in Central Enterprises by the State-owned Assets Supervision and Administration Commission.

Two employees were honoured as New Stars of Power Education and Training by the China Electricity Council.

Four employees were awarded the “First China Human Resources Management Achievement Silver Prize” by China Enterprise Evaluation Association, China Human Resources Development and Research Association and First China Human Resources Management Achievement Organisation Committee.

Board, Supervisory Committee and Senior Management

Members of the Board

Executive Directors



Cao Jingshan

Aged 46, graduated from Dalian University of Technology major in technical economics and management. He holds a doctorate degree and is a senior economist. Mr. Cao commenced his career in 1981 in Yuanbaoshan Power Plant and was successively Assistant

to Plant Manager, Chairman of the Labour Union, Deputy Plant Manager and Plant Manager of Yuanbaoshan Power Plant. From January 2003, he became Deputy Head of the President's Office (Person-in-Charge), and has been the Head of the President's Office cum Head of the International Cooperation Department of China Datang Corporation since January 2003. Starting from April 2008, Mr. Cao has been the President of the Company, and he has been the Executive Director and Vice Chairman of the Company since 30 May 2008. Mr. Cao has long been engaged in electricity production, technical and operation management, with extensive knowledge and practical experience in electricity generation and operation management.



Zhou Gang

Aged 45, graduated from East China Institute of Water Conservancy (currently known as Hehai University) with master degree of technology and master of business administration, is a senior engineer. He is currently Deputy General Manager of

the Company and Secretary to the Board. Mr. Zhou started his career in 1985 in Fu Chun Jiang Hydropower Plant of East China Electricity Administrative Bureau. Mr. Zhou later worked for China National Water Resources & Electric Power Materials & Equipment Corporation as Deputy Manager of the Information Department, Deputy Director and then Director of the General Manager's

Office, Deputy General Engineer and Deputy General Manager; Deputy General Manager of China National Water Resources & Electric Power Materials & Equipment Co., Ltd. and General Manager of its Shanghai company as well as Deputy Director of the International Cooperation Division of the General Manager's Office of China Datang Corporation. Mr. Zhou has become Vice President of the Company since June 2007. Mr. Zhou has extensive experience in international cooperation, power resources management and power generation enterprise operation and management.

Non-executive Directors



Zhai Ruoyu

Aged 62, graduated from the Economic Management Department of Liaoning University, is a professor-grade senior engineer. He is currently Chairman of the Company, Party Secretary and President of China Datang Corporation.

Mr. Zhai worked at the Liaoning

Power Plant since 1966 and held various positions including Deputy Director and Director. Since 1992, Mr. Zhai had held various positions including Deputy Chief of the Security and Environmental Protection Division of the Ministry of Energy of the PRC, Deputy Chief of Safe Production Division of Ministry of Power Industry, Deputy Director and later Director seconded by the Central Disciplinary Committee and the Ministry of Supervision to the Supervisory Bureau of the Ministry of Power Industry, as well as Head of General Office of the State Power Corporation of the PRC Ministry of Power Industry. In March 1999, Mr. Zhai took up the position of Party Secretary and President of the Northeast Branch of the State Power Corporation. He served as Party Secretary and President of North China Power Group Company since October 2000. He became President of China Datang Corporation in December 2002. In March 2003, Mr. Zhai was appointed a delegate to the 10th

National People's Congress. In March 2008, Mr. Zhai was appointed a delegate to the 11th National Committee of the Chinese People's Political Consultative Conference. With 40 years' experience in the power industry, Mr. Zhai has long been engaged in the fields of power production, production technology management, administration and operations management. He has extensive experience with specific expertise in power generation and operations management.



Hu Shengmu

Aged 47, university graduate, is a senior accountant. He is currently the Party Commissioner and Chief Financial Controller of China Datang Corporation. Mr. Hu joined North China Power Corporation as he worked in Beijing Power Supply Bureau

in 1981. He had been the Deputy Head and the Deputy Manager of the Finance Department of the North China Power Administration Bureau (NCPGC), the Chief Accountant and Financial Manager of the Company and the Chief Accountant of NCPGC. Mr. Hu was appointed Chief Accountant of China Datang Corporation in January 2003. Mr. Hu has been involved in financial management of power system for 27 years. He is knowledgeable in financial management and has extensive experience in financial practices.



Fang Qinghai

Aged 54, post-graduate, is a senior engineer. He is currently the Head of the Planning, Investment and Financing Department of China Datang Corporation. Mr. Fang joined Anshan Power Plant in 1974 and since then took up various

positions including Deputy Head of the Communist Party Committee Office of Anshan Power Plant, Division Chief of the Production Planning Division, the Integrated Planning Department of Northeast Power Administration Bureau, Deputy Head of the Integrated Planning Department, Deputy Head and Head of the Development and Planning Department of the State Power Corporation (Northeast Company), Head of the Power Exchange Centre of Northeast China Power Grid, Deputy Chief

Engineer and Head of the Development and Planning Department of Northeast China Power Grid Company Ltd. He became Deputy Chief of the Development and Planning Department of China Datang Corporation in April 2005, and has become Head of the Planning, Investment and Financing Department of China Datang Corporation since November 2006. Mr. Fang has been involved in the power system for many years and is well experienced in power generation and operation.



Liu Haixia

Aged 48, graduated from North China Power College majoring in power plant thermal energy. He subsequently pursued postgraduate studies in Business Administration in the Renmin University of China. He is a senior engineer and Assistant to President of

Beijing Energy Investment Holding Company Limited. Mr. Liu joined Beijing Electric Power Company in 1983 and since then took up positions of Technician, Engineer and Assistant to Manager and Deputy Manager. He has been Assistant to President of Beijing International Power Development and Investment Company since 1998. He has been Assistant to President of Beijing Energy Investment (Group) Company Limited since December 2004. With his long-standing involvement in corporate management and planning management of power companies, Mr. Liu has acquired extensive experience in corporate management and industrial planning and investment.



Guan Tiangang

Aged 42, graduated from North China Power College majoring in thermal dynamics and possesses a master degree in Finance from the Renmin University of China. She is a senior engineer and currently the Vice President and the Secretary to the Board

of Directors of Beijing Jingneng International Energy Company Limited. She started her career in 1990, and had worked as a teacher in Shijingshan Thermal Power Plant Education Centre and as Project Manager of the Investment Department of Beijing International Power Development and Investment Company. She has

become the Deputy Manager of the Power Investment and Management Department of Beijing International Power Development and Investment Company and Manager of the Power Generation and Operation Department of Beijing International Power Development and Investment Company. She has become the Manager of the Power Generation and Operation Department of Beijing Energy Investment (Group) Company since December 2004. Since February 2007, she has become the Vice President and the Secretary to the Board of Directors of Beijing Jinneng International Energy Company Limited. Ms. Guan has long been engaged in the work of power investment operation, and has extensive experience in power investment and finance planning and management.



Su Tiegang

Aged 61, university graduate, is a senior engineer. He is currently the Vice President of Hebei Construction Investment Company. He started his career in 1968 and had worked in the County Commission of Zefu, Qinghai Province, the Provincial Construction Commission

of Qinghai Province and Qinghai No. 3 Construction Engineering Company. Mr. Su became Head of the Raw Materials and Projects Division of Hebei Construction Investment Company since October 1989. Since December 1990, he served in Hebei Provincial Planning Committee as Head of the Investment Department. He has become Vice President of Hebei Construction Investment Company since October 1993. With his long-standing involvement in corporate management and planning management, Mr. Su is well experienced in corporate management and industrial planning and investment.



Ye Yonghui

Aged 57, is presently the Deputy Chief Economist of Hebei Construction Investment Company. Mr. Ye started his career in 1969 and joined the Energy Branch of Hebei Construction Investment Company in 1990, holding positions such as Administrative

Officer, Deputy Manager and Manager of the Jibe Branch. From September 1999 to January 2004, he was the Manager

of the Energy Branch of Hebi Construction Investment Company. From January 2004 to March 2006, he was the Manager of the Energy Business Department I of Hebei Construction Investment Company. From March 2006 to March 2007, he served as Deputy Chief Economist and Manager of the Energy Business Department I of Hebei Construction Investment Company. From March 2007 to date, he was the Deputy Chief Economist of Hebei Construction Investment Company. With his long-standing involvement in corporate management and planning management, Mr. Ye has acquired extensive experience in corporate management and industrial planning and investment.



Li Gengsheng

Aged 49, a holder of MBA, graduated from Northeast Power College with a bachelor's degree in thermal dynamic and from China Europe International Business School with a postgraduate MBA degree. Mr. Li is a professor grade senior engineer and

he is currently the General Manager of Tianjin Jinneng Investment Company. Mr. Li joined Hebei Electric Construction Company in 1983, and subsequently worked as Deputy Head of the Thermal Control Office of Tianjin Power Scientific Institute, Deputy Manager of Tianjin Power Infrastructure Subcontracting Company, Deputy General Manager of Huaneng Yangliuqing Thermal Power Co., Ltd., Deputy General Manager of Tianjin Jinneng Investment Company, and has been General Manager of Tianjin Jinneng Investment Company since 2007. Mr. Li has been engaged in power corporate management and corporate investment for a long time, and has rich experience in corporate management and investment.

Independent Non-executive Directors



Xie Songlin

Aged 67, graduated from the Department of Dynamics at Shannxi Industrial University (now known as Xi'an Jiaotong University) majoring in power generation. He is an Engineer, Senior Accountant, Senior Economist and currently

Consultant of the State Grid Corporation of China. Mr. Xie started his career in 1965. He had worked as technician at the Xinjiang Prospecting and Design Institute for Hydropower; Engineer and then Director of the Hunan Yiyang Power Industry Bureau. In 1985, he was appointed Deputy Director of Hunan Power Industry Bureau and Deputy Director of the Central China Power Management Bureau. In 1992, he was appointed as Deputy Director of the Audit Bureau of the Ministry of Energy. In 1993, he was appointed Chief of the Economic Adjustment Division of the Ministry of Power. He was the Head of General Office of Ministry of Power Industry in 1996. In 1997, he was appointed Chief Economist of the State Power Corporation, Chief of the General Management Division of the Ministry of Power. He became Chief Accountant and Head of the Finance and Assets Operation Department of the State Power Corporation in 1999. He became the Vice President of the State Power Corporation in June 1999. He has been Consultant of the State Grid Corporation of China since 2003. Mr. Xie has long been engaged in the production and management of the power industry. He has extensive experience in power generation and management.



Yu Changchun

Aged 57, holds a PhD degree in economics. He is currently Head of the Education and Research Centre and Professor of Accounting at the Beijing State Accounting Institute. Mr. Yu taught at the Jilin Institute of Finance and Commerce upon

graduation in 1978 and subsequently obtained a master degree in economics from Shanghai Social Science Institute and a PhD degree in economics from Tianjian University of Finance and Economics. He was Department Head, Professor and Advisor to postgraduates at the Department of Accounting at the Changchun Institute of Taxation in 1995. He carried out post-doctoral researches in the Financial and Economics Research Institute at the China Academy of Social Sciences in 1997 and worked with the Beijing State Accounting Institute in 1999. Mr. Yu has been engaged in theoretical and practical researches in the areas of Economics and Accounting for many years. A number of scientific research topics were conducted and completed by Mr. Yu have been awarded for a number of Outstanding Achievements at the Ministry (Provincial)

Level. He was granted a specific subsidy from the State Council in 1997.



Liu Chaoran

Aged 53, graduated from the Geological Institute of Jilin University. Mr. Liu is a professor grade senior engineer, currently as Chairman of North China Electric Power Engineering Company Limited of the State Power Corporation. Mr. Liu worked as a technician at the

Beijing Power Design Institute in 1980, and subsequently had been the Professional Section Chief, Deputy Chief and Assistant to Director at the North China Design Institute. He was Vice President of North China Electric Power Engineering Company Limited of the State Power Corporation since 2000, and he has been the Chairman of North China Electric Power Engineering Company Limited of the State Power Corporation since 2006. Mr. Liu has extensive experience in engineering design and geological prospecting of the power industry.



Xia Qing

Aged 52, is a graduate of Tsinghua University with a PhD degree in Mechanical and Electrical Engineering. He is a professor and an advisor to PhD students. He was awarded a PhD degree by Tsinghua University in 1989, with major research direction focusing on

the power market, power system planning, information technology and power demand forecasts theories. From March 1996 to March 1997, he was a visiting scholar funded by The British Royal Society and was engaged in the research of power markets in the United Kingdom. Mr. Xia has conducted a number of researches on topics including the power market, power resources planning, power grid planning, power demand forecasts, power regulatory issues, dispatch of energy saving power generation. He has also been involved in power market design for the four major regions in the PRC. His current part-time jobs include serving as part-time professor at the Party School of the State Power Grid Company, Consultant to the State Power Grid Trading Centre, Consulting Expert of Yunnan

Power Grid Corporation and Independent Director of Yunnan Wen Shan Power Company Limited.



Li Hengyuan

Aged 66, graduated from Chengdu University of Technology, majoring in Analytical Chemistry under the School of Mathematics, Physics and Chemistry. He is a senior engineer and currently Deputy Secretary-general of All-China Environment

Federation. Mr. Li participated in the work of Mining and Metallurgical Research Institute under Chinese Academy of Sciences in 1965. He took the office of Director of Environmental Protection Bureau of Zigong City, Sichuan Province and then the Chief Director of the Laws and Regulations Department in the State Environmental Protection Administration. Mr. Li has become a part-time professor and guest professor of Jilin University and a part-time professor of Beijing Normal University since 1994. He has been Deputy Secretary-general of All-China Environment Federation since 2004. Mr. Li has long been engaged in environmental protection studies including environment capacity and pollution prevention. He has extensive academic knowledge and years of practical experience in environmental protection. He, through his research results, has won the National Scientific and Technological Progress Award (Second Class), the Ministerial and Provincial Scientific and Technological Progress Award (Second Class) and the Ministerial and Provincial Scientific and Technological Progress Award (Third Class), and has presented a considerable number of academic papers at international academic conferences and in national academic journals. Mr. Li has also participated in drafting various laws, regulations and codes in relation to environmental protection.

Members of the Supervisory Committee

Zhang Jie

Aged 61, graduated from the Central Communist Party School majoring in political theories. Mr. Zhang is a senior economist and Chairman of the Supervisory Committee of the Company. He started his career in 1968 and joined the Power Corporation in 1973. Mr. Zhang had held positions including Deputy Head of the Publicity Division, Deputy

Director of the Maintenance Office and General Secretary to Party Committee of Datong General Power Plant and Chairman of the Staff Union of Datong Second Power Plant. He worked in Chengde Power Supply Company as Secretary to Party Committee in 1994 and in Beijing Power Supply Company (Power Supply Bureau) as Deputy Secretary to Party Committee in January 1995. Mr. Zhang has become Chairman of the Supervisory Committee of the Company since September 2000. Mr. Zhang has long been engaged in management work at power enterprises and has extensive experience in administrative management.

Zhang Xiaoxu

Aged 46, university graduate. He graduated from the Central Communist Party College majoring in economics management and graduated from Liaoning Power University with specialisation in industrial accounting. He is a senior accountant and is presently Manager of Financial Department of Tianjin Jinneng Investment Company. Mr. Zhang began his career with First Construction Company of Fushun City, Liaoning Province in 1982. He served as Accounting Officer in First Construction Company of Fushun City in Liaoning Province and was Accounting Officer and Chief Accountant of Liaoning Power Plant; and Deputy Head and Head of Finance Division, Deputy Chief Accountant, Chief Accountant at Liaoning Nenggong Power Generation Co., Ltd. He was Deputy Manager and Manager of Financial Department of Tianjin Jinneng Investment. Mr. Zhang has long been engaged in financial management and has extensive practical work experience.

Fu Guoqiang

Aged 46, a university graduate, is a senior accountant, CPA. Mr. Fu is the Head of the Finance and Assets Management Department of China Datang Corporation. He was the Head of the Finance and Assets Management Department of Hebei Power Company, Manager of the Finance Department of NCPGC. Mr. Fu has been the Head of the Finance and Assets Management Department of China Datang Corporation since December 2003. Mr. Fu has long been engaged in finance management in power system and has extensive practical experience in operation and management.

Shi Xiaofan

Aged 58, college graduate, is a senior economist. He is presently the Assistant to President and the Head of the Human Resources Department of the Company. Mr. Shi had worked in NCPGC as Head of the Personnel Department. He became Head of the Human Resources Department of the Company in 1996 and Assistant to President and Head of the Human Resources Department of the Company in March 2003. Mr. Shi is well-experienced in human resources development and management in the power industry and is well experienced in the management of human resources in the sector.

Secretary to the Board

Zhou Gang

Aged 45, an Executive Director and Vice President of the Company.

Senior Management

An Hongguang

Aged 50, graduated from Wuhan University majoring in Administration Science and Engineering with a master degree. He is a senior engineer and currently the Vice President of the Company. Mr. An joined North China Power Corporation in 1982 and since then held various positions including Deputy Head of the Chemical Workshop of Xia Hua Yuan Power Plant, Deputy Head and Head of the Chemical Workshop of Dou He Power Plant, Division Chief of the Biotechnology Unit of Dou He Power Plant, Assistant to Director of Tangshan General Power Plant, Assistant to Director of Dou He Power Plant, Deputy Manager of the Production Department of the Company and Director of Zhangjiakou Power Plant. From June 2005 to December 2005, he served as Assistant to President of the Company. He has become Vice President of the Company since December 2005. Mr. An has more than 20 years' experience in the area of power systems and has been long engaged in power plant production and administration management. He is well experienced in power generation and operation, with specific expertise in production safety management of power plants.

Qin Jianming

Aged 46, graduated from North China Electric Power University majoring in technical economics. He has post graduate qualification and is a senior engineer. He is currently a Vice President of the Company. Mr. Qin commenced his career in 1984 with Ministry of Water Resources and Power and had been successively person-in-charge of the Office of the Planning Division of the Power Department, Head of the General Office of Project Construction Bureau of the State Power Corporation, Head of the Thermal Power Construction Management Office of the Thermal Power Construction Department, Head of the General Management Office of Power Construction Department and Deputy Director of the Construction Management Department of China Datang Corporation. Mr. Qin has been a Vice President of the Company from June 2007 and he has extensive experience in power project construction and management.

Wang Xianzhou

Aged 55, graduated from Beijing Broadcast and Television University majoring in industrial statistics. He is a senior accountant and the Chief Financial Officer of the Company. Mr. Wang joined North China Power Corporation in 1970 and had held various positions including Head of the Financial Department of Xia Hua Yuan Power Plant and Deputy Chief Accountant and Head of the Financial Division of Zhang Jia Kou Power Plant. Since 1995, Mr. Wang had held various positions including Deputy Financial Manager and Financial Manager of NCPGC, Financial Manager and Chief Accountant of the Company. He has been Chief Financial Officer of the Company since August 2000. Mr. Wang has acquired extensive experience in the financial management of power companies from his longstanding focus in this area.



Questions Frequently Asked by Investors

focusing on suitable **Coal Operations**
assuring supply of key resources

What is the Company's view on the supply and demand situation nationwide for 2008 to 2009?

In 2008, faced with various difficulties and challenges, the power industry has successfully completed the mission of assuring sufficient power supply for the country's economic operation and for the Olympic Games. The adjustments of power construction and investment structures nationwide continued to accelerate and new power generation capacity continued to increase rapidly. However, impacted by the global financial crisis, demand for power consumption slowed, thereby leading to significant decreases in growth of power generation and power consumption, whereas the effects of energy savings and emissions reduction continued to be felt.

In 2008, total nationwide installed capacity amounted to 792,530MW, representing an increase of 10.34% as compared to the previous year. Of such total capacity, hydropower amounted to 171,520MW, representing approximately 21.64% of the total capacity and an increase of 15.68% as compared to the previous year. Coal-fired power amounted to 601,320MW, representing approximately 75.87% of the total capacity and an increase of 8.15% as compared to the previous year. The ratios of hydropower and coal-fired power to the total capacity increased by 1.00 percentage-point and decreased by 1.55 percentage-points respectively as compared to the previous year. Total on-grid capacity of wind power amounted to 8,940MW, representing an increase of 111.48% as compared to the previous year.



In 2008, nationwide social power consumption amounted to 3,426.8 billion kWh, representing an increase of 5.23% as compared to the previous year. Such growth rate decreased by 9.57 percentage-points as compared to the previous year. Among such consumption, power consumed by the primary industry, the second industry, the tertiary industry and urban and rural residents amounted to 87.9 billion kWh, 2,586.3 billion kWh, 349.8 billion kWh and 403.5 billion kWh respectively, representing year-on-year increases of 1.85%, 3.83%, 9.67% and 11.83% respectively.

It is anticipated that the PRC's power generating capacity will continue to grow in 2009. Newly constructed installed

capacity nationwide will be around 80,000MW. Excluding 13,000MW of small-sized coal-fired units planned to be shut down for the year, total installed capacity nationwide will reach approximately 860,000MW as at the end of 2009. It is anticipated that the country's power demand in 2009 will exhibit a clear "first-low-then-high" trend, with a growth rate for the year estimated to be approximately 5%. The over-supply situation in the second half of 2008 will continue in 2009, but supply and demand will be gradually balanced. The power grids in the eastern and southern regions will maintain a supply-demand balance, while the power grids in the northern, central, northeast and northwest regions will have abundant supply.

Please explain on the Company’s development strategy of “focusing on pursuing the power generation business as its core development whilst complementing with synergistic diversifications”.

The Company’s development strategy sets out a comprehensive and farsighted framework of plans and strategies to ensure a rapid, steady and healthy development of the enterprise. To cope with the latest circumstances and new missions, the management of Datang Power has thoroughly reviewed its development experiences in the past 15 years and carried out a comprehensive analysis of the opportunities and challenges ahead of the Company with due reference to its own development needs. Accordingly, the Company sets out a development strategy of “focusing on pursuing the power generation business as its core development whilst complementing with synergistic diversifications”.

The strategic positioning of synergistic diversifications is: Focus in the power generation business whilst deploying diversifications; and strive for profitability as a priority whilst seeking synergistic developments. Datang Power will aim at developing itself into a company with an operation-cum-holding orientation, an integrated energy company that enjoys a domestic leadership position and international reputation having strong development capabilities, profitability and competitiveness.

The implementation strategies of synergistic diversifications are based on an integrated-assets positioning: With power generation business as its core development; with coal operations as its foundation; with coal-to-chemical projects as a new source of profits; and with railway, port, and shipping as its link, the Company will enhance its coal-fired power; aggressively expand its hydropower; continuously

develop wind power; actively pursue nuclear power; prudently proceed with coal-to-chemical projects; focus on suitable coal operations; and secure a complementary development of railway, port, and shipping.

The stage-wise goals and medium-term development plans of synergistic diversifications are: From 2008 to 2010, the overall deployment of diversified businesses will be laid down. In this stage, the core power generation business will be continuously developed, while the production capacities of the coal and coal-to-chemical businesses will be developed to a certain scale and the logistics chain will be fundamentally established.

The deployment of diversified businesses will be implemented gradually, the business structure will be increasingly rationalised, and non-power generation businesses will begin to generate profits for the overall operation of the Company.

From 2011 to 2012, the diversified businesses will begin to develop to a considerable scale. The leading position of its core power generation business will be further strengthened. Coal-to-chemical projects will successively commence production, self-produced coal will become a major secured resource, and the logistics chain will be established. The Company’s diversified businesses will begin to develop to a considerable scale.

From 2013 to 2015, the diversified businesses will develop to a mature stage. The power generation business will maintain its leading position, with a more rational mix of installed capacities of coal-fired power, hydropower, wind power and nuclear power. Production capacity of self-produced coal will be further upgraded. Meanwhile, the energy logistics business will be enhanced, realising a stable and reliable coal transportation channel. Upstream and downstream related businesses will support and assure the soundness of the system, with sufficient assurance of resources for key investment regions. With its diversified businesses growing into a mature stage, the



Company will evolve into an integrated energy company that enjoys a domestic leadership position.

What is the Company's forecast for the supply and demand situation in the coal market in 2009? What is the fuel supply situation of the Company in 2009?

According to the analysis and forecasts of the NDRC, the domestic supply of coal is anticipated to be slightly larger than its demand in 2009. The price of quality thermal coal in 2009 will see a 15%-20% decrease as compared to 2008. On the supply of coal, coal production throughout the year is anticipated to be approximately 2,750 million tonnes, representing an increase of approximately 8.44% as compared to 2007. Due to a faster decline of fixed asset investment growth rate in the industry, the growth rate of coal production will be 7.15% in 2009.

As regards demand, although there is the boosting factor of increased investments, it is anticipated that the growth of demand in the coal industry will not be fully reflected in 2009 and a larger turnaround in demand will not be seen until after 2010. In particular, the four major industries, namely power, iron and steel, cement and chemical fertilizer, will not become a strong support for a high growth rate of coal consumption in 2009.

It is conservatively estimated that coal-fired power generation will amount to 3,059.101 billion kWh in 2009. Based on the calculation of the consumption of standard coal of 450 grams per kWh, the actual consumption of standard coal for the power generation industry will be 1,377 million tonnes in 2009.

The consumption of coal by the iron and steel industry, the second largest coal-consuming industry, is decreasing. Although the decline in coal prices has slowed recently, a turnaround is unlikely to be seen in the foreseeable future. Taking into account the fixed asset investment of RMB 4 trillion, it is estimated that domestic production of crude steel will be 525 million tonnes in 2009, and coal consumption for iron and steel is estimated to be 315 million tonnes.

The over-supply of cement will remain significant in the next two years due to the problem of a concentrated unleashing of production capacity in the industry. It is estimated that 0.15 tonne of standard coal is consumed in producing one tonne of cement, and therefore the consumption of coal will be approximately 202 million tonnes in 2009.

The expansion of production capacity of the chemical fertilizer industry is relatively rapid and the upward trend of production will remain in 2009. The demand of coal in chemical fertilizer industry is anticipated to be 141 million tonnes in 2009.



Without taking into account the impact of other factors, the supply and demand of coal in the PRC will be relaxed in 2009 and, in general, coal supply will outstrip its demand. Taking into account the impact of import and export and inventories necessary for the society, the gap between supply and demand will be narrowed.

The Company anticipates that its planned demand for coal throughout 2009 is approximately 70 million tonnes, of which approximately 70% is expected to be contract coal and the remaining 30% will come from self-produced coal and market procurement to ensure supply. As there was substantial disagreement on contract coal prices for 2009 between coal companies and power companies, no consensus was reached by both parties on contract coal prices in the coal purchase order meeting in December

2008. Currently, the new round of negotiations on contract coal has not yet commenced, and therefore contract coal prices will need to be ultimately decided upon, and retrospectively adjusted, by both parties.

In 2009, the Company will continue to adopt a variety of measures to assure fuel supply and price stability. Apart from further expanding the contract coal proportion, the Company will benefit from the continuously increasing production capacities at Tashan Coal Mine, Yuzhou Coal Mine and East Unit 2 Coal Mine of Shengli Coal Mine invested by the Company, thereby providing a positive assurance for satisfying the coal demand of the Company's power plants in the southeastern coastal area.

Currently, the Company is still actively seeking coal resources in the overseas market, with a view to partially resolving the risks associated with the domestic coal market through purchasing coal resources at reasonable prices. Meanwhile, the Company's newly constructed large and high-efficiency generating units will be able to effectively lower its average unit coal consumption, providing a significant help to withstand the risks associated with coal prices.



As the current gearing ratio of the Company is relatively high, and many projects of the Company will still be under construction in the coming years, what is the plan of the Company for financing those projects in order to ensure their progresses are on schedule?

Since the completion of the initial public offering of its A shares at the end of 2006, the asset-to-liability ratio

of the Company has increased year by year following the successive commencements of operation of the Company's projects under construction over the past few years. This was mainly due to the 20% capital ratio of power generation projects required by the State which led to a high asset-to-liability ratio of 80% for newly commenced projects, as well as due to the concentrated commencements of newly constructed projects. Accordingly, the consolidated asset-to-liability ratio of the Company surged. In addition, the price hike of domestic coal in 2008 led to a substantial drop in the profitability of power generation companies, and the consequential drop in net asset value was also another reason for the increase in the asset-to-liability ratio.

Taking into account its long-term development, the Company has re-organised its preliminary projects according to the strategy of "Accelerating some projects and slowing down others; Advancing the progress of some projects and holding back others; Ensuring the development of some projects and suppressing others". A batch of projects will still be under construction in the coming two years. To ensure the smooth progress of such projects, the Company has formulated a comprehensive plan to proactively finance these projects through fully utilising different financing channels such as domestic bank loans, interim notes, corporate bonds and additional issuance of share capital. It is expected that the capital required for the projects-under-construction of the Company will be fully assured under the gradual implementation of such financing plans.

orporate Governance Report

During 2008, the Company fully complied with the principles as set out in the Code on Corporate Governance Practices in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and reached or even exceeded the best recommended practices in the Code on Corporate Governance Practices in certain aspects. The corporate governance condition of the Company is hereby reported as follows:

Shareholders and General Meeting

For years, apart from committing itself to the operation and expansion of its businesses in order to attain appropriate returns for shareholders, the Company also provides details on the Company's operations management and relevant information to shareholders in a timely and accurate manner through a variety of channels and methods, including: convening and holding general meetings in strict compliance with the Company's articles of association (the "Articles of Association"), the Listing Rules and relevant regulations stipulated by the Securities and Futures Commission (the "SFC"), and timely announcing relevant information to shareholders on an irregular basis according to the requirements of the domestic or international listing rules. During the reporting period, the Company held a total of two general meetings and a professional lawyer was invited to each general meeting as a witness to ensure all shareholders were treated equally and exercised their rights adequately.

The Company has also established specific divisions to assign specific staff to handle relevant work and receive visitors, with contact numbers published to answer phone enquiries at any time. In addition, the Company's website has been set up to provide updates and past results on the Company, as well as the management organisation of the Company, so as to

facilitate a comprehensive understanding of the Company by shareholders and investors.

Directors and the Board

Pursuant to the Articles of Association, the board of the Company (the "Board") comprises 15 directors (the "Directors"), including five independent Directors. Members of the Board are equipped with various experience, ability, expertise and judgment (see the profiles of the members of the Board as set out in this annual report for details) appropriate for the Board. Directors of the Company consist of experts in power-related technology and management, experts in finance and scholars. Each of them has extensive experience and acumen and is open-minded.

The Directors fully understood their responsibilities, powers and obligations, and managed to discharge their duties with truthfulness, fiduciary and diligence. In order to enhance the decision-making mechanism, increase the scientific nature of decision-making and improve the quality of substantial decisions, the Board has established three specialised committees, namely the Audit Committee, the Strategy and Development Committee and the Remuneration and Appraisal Committee, with detailed working rules devised for the respective committees. The convenors of the three specialised committees are independent Directors. In particular, independent Directors make up for a majority in the Audit Committee and the Remuneration and Appraisal Committee.

During the reporting period, the Board held 16 meetings. The convocation and voting procedures complied with the regulations stipulated by the Articles of Association and the "Rules of Proceedings for Board Meetings".

Executive Directors	Attendance (%)	Non-executive Directors	Attendance (%)	Independent Non-executive Directors	Attendance (%)
Cao Jingshan (Vice Chairman)	100	Zhai Ruoyu (Chairman)	100	Xie Songlin	100
Zhou Gang	100	Hu Shengmu	100	Yu Changchun	100
		Fang Qinghai	100	Liu Chaoan	100
		Liu Haixia	100	Xia Qing	100
		Guan Tiangang	100	Li Hengyuan	100
		Su Tiegang	100		
		Ye Yonghui	100		
		Li Gengsheng	100		

During the reporting period, the independent Directors and members of the Audit Committee of the Board were engaged in the preparation of the Company's 2008 annual report. For the 2008 annual results and financial position, the Company had written communications with the independent Directors and the Audit Committee members. Based on the annual audit working plan negotiated and confirmed with the accountants, the Audit Committee tracked and monitored the entire process of the annual audit. After the accountants issued the preliminary auditors' opinions, the Company held an Audit Committee meeting and an independent Directors' meeting, in which the independent Directors and the Audit Committee members communicated with the Company's senior management and accountants regarding the Company's 2008 annual results and financial statements and the work of the accountants, forming relevant opinions and resolutions as a result.

The Remuneration and Appraisal Committee of the Board conducted assessment on the discharge of duties and the completion of annual results by the Company's Directors, supervisors and senior management in accordance with the relevant requirements of the "Work Regulations for the Remuneration Committee of the Board" of the Company, and made suggestions on the remuneration management of Directors, supervisors and senior management for 2009.

The Strategy and Development Committee of the Board reviewed the progress of the Company's investment projects and the Company's development strategy framework in accordance with the relevant requirements of

the "Work Regulations for the Strategy and Development Committee" of the Company and made suggestions on the Company's future development.

The Company has adopted a code of conduct regarding Directors' securities transactions on terms on less exacting than the required standards set out in the "Model Code for Securities Transactions by Directors of Listed Issuer" (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the Model Code in 2008.

Supervisors and the Supervisory Committee

The Company's Supervisory Committee (the "Supervisory Committee") comprises four members, of which two are supervisors representing the staff. The membership and composition of the Supervisory Committee comply with the requirements of the laws and regulations. Supervisory Committee members shall exercise their supervisory duty as mandated by the laws, regulations, the Articles of Association and the rights granted by the general meeting, and shall be accountable to the general meeting, in order to ensure that shareholders' interests, the Company's interests and the staff's lawful interests are not violated. During the reporting period, the Supervisory Committee held six meetings and attended all Board meetings and Audit Committee meetings. Through various channels and methods, the Supervisory Committee carried out regular inspections on the Company's finances and substantial

matters, as well as supervising the lawfulness and compliance of the Directors, the President and other senior management members in discharging their duties.

Chairman and Chief Executive Officer

The positions of Chairman (chairman of the Board) and President of the Company are held by two different persons respectively. Mr. Zhai Ruoyu and Mr. Cao Jingshan are the Chairman and the President of the Company, respectively. The power of the Chairman and the President is expressly provided in the Articles of Association. The main duties of the Chairman include presiding over the general meetings, convening and presiding over Board meetings and reviewing the status of the implementation of the Board's resolutions. The main duties of the President include: (1) to take charge of the production and operation management of the Company, and coordinate the implementation of the Board resolutions; (2) to coordinate the implementation of the Company's annual operation plans and investment proposals; (3) to formulate the plan for establishing the Company's internal management institutions; (4) to lay down the Company's fundamental management system; (5) to formulate the fundamental constitution of the Company; (6) to propose the appointment or dismissal of the Vice President and person in charge of finance; and (7) to appoint or dismiss other officers that are not appointed or dismissed by the Board and so forth.

Non-executive Directors

The Company has a total of 13 non-executive Directors, it is provided in the Articles of Association that the term of appointment of Directors (including non-executive Directors) shall not exceed three years and Directors are eligible for re-election and re-appointment. Any new Director will take office only after being elected and approved at the general meeting.

As stipulated by the regulations of the state supervisory department, the consecutive terms of services of independent non-executive Directors (i.e. independent Directors) shall not exceed six years. The Articles of Association has not expressly provided that the Directors would retire in rotation once every three years.

Remuneration of Directors

During the Year, the Company and the remunerations of the executive Directors and senior management of the Company followed a salary system primarily based on positional salary. In accordance with the decision of the Board, the annual remuneration for each independent non-executive Director was RMB 60,000 (after tax). The remunerations for other non-executive Directors of the Company were determined by their respective salary systems as provided and paid by their respective affiliated entities. The Board has established the Remuneration and Appraisal Committee, which comprises five Directors with independent Directors making up more than half of the membership.

The major duties of the Remuneration and Appraisal Committee include: to examine the criteria for the appraisal of Directors and managers, to conduct the appraisal and make recommendations, to examine and review the remuneration policy and plans of the Directors and senior management (as the Company did not enter into service contracts with executive Directors, thus the duties of the Remuneration and Appraisal Committee did not include the approval of the terms for the service contracts of executive Directors). In March 2009, the Remuneration and Appraisal Committee held a meeting to review the performance and level of remuneration for executive Directors and senior management of the Company in 2008. The composition and level of remuneration were disclosed in this annual report. The attendance of the committee members at meetings is as follows:

	Attendance
Convenor (Chairman):	
Liu Chaoan (Independent non-executive Director)	100%
Members:	
Xia Qing (Independent non-executive Director)	100%
Li Hengyuan (Independent non-executive Director)	100%
Hu Shengmu (Non-executive Director)	100%
Zhou Gang (Executive Director)	100%

Nomination of Directors

It is provided in the Articles of Association that Directors are elected and formed by the general meeting of the Company with each term of appointment not exceeding three years and are eligible for re-election and re-appointment. The Board has yet to set up a nomination committee. Any change to the composition of the Board will be initiated through the Board, for which the Board will publish biographies of candidates recommended before the general meeting on the basis of recommendations of the shareholders and a review of the candidates' experience, so that all shareholders will be fully aware of the background of the candidates and exercise the power of the shareholders to elect the Directors.

During the Year, based on the recommendation by shareholders, the Board agreed to nominate Mr. Cao Jingshan and Mr. Li Hengyuan as executive Director and independent non-executive Director of the Company, respectively.

After the approval at the 2007 annual general meeting, they took office as Directors with effect from 30 May 2008.

Auditors' Fees

During the Year, the audit service fee payable to PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers, the Company's domestic and international auditors, amounted to approximately RMB13.831 million. On the twenty-third meeting of the sixth session of the Board convened on 30 March 2009, an additional audit service fee for 2008 of RMB 1.11 million was agreed. The non-auditing service fee amounted to approximately RMB 820,000.

Such non-auditing service fee was mainly for carrying out professional services on the Company's issue of medium-to-short-term bonds.

The Audit Committee

The Audit Committee (the "Audit Committee") under the Board comprises five Directors, of whom more than half are independent Directors. Major duties of the Audit Committee include: to supervise the Company's internal audit system and its implementation; to facilitate the communication between internal and external audit parties; to review the Company's financial information and periodic disclosures; to review the Company's internal control system; and to propose the appointment or replacement of external audit firms. The Company's Directors, supervisors, chief financial manager, other senior management members and external auditors of the Company are invited to attend the Audit Committee meetings.

During 2008, the Audit Committee held 16 meetings. Conscientious audits of the Company's interim and annual results and related financial matters as well as the Company's internal control system were conducted. It also duly assessed the auditors' work. The Audit Committee is of the view that the Company's internal control systems were effectively implemented, have achieved remarkable and have effectively controlled the production and operation risks of the Company. Meanwhile, the Audit Committee has proposed to the Board to reappoint PricewaterhouseCoopers Zhong Tian CPAs Limited Company and PricewaterhouseCoopers as the Company's domestic and international auditors respectively for 2009. The re-appointment will become effective subject to the approval at the 2008 annual general meeting.

During the Year, the attendance by the Audit Committee members at the committee's meetings is as follows:

	Attendance
Convenor (Chairman):	
Yu Changchun (Independent non-executive Director, financial management expert)	100%
Members:	
Xia Qing (Independent non-executive Director)	100%
Li Hengyuan (Independent non-executive Director)	100%
Ye Yonghui (Non-executive Director)	100%
Guan Tiangang (Non-executive Director)	50%

Internal Control of the Company

From the perspectives of business management, job functions management and job positions management, the Company established basic corporate management systems such as the internal control system for financial management, the financial and accounting system, the internal audit system, the administrative management system, the information management system and the production management system.

With its development, the Company's business has also moved from purely coal-fired power generation as at the beginning to diversified power sources and operations, with involvement in aspects such as nuclear power, railways and coal mines. Accordingly, in order to enhance the Company's internal control system and to effectively prevent risks, during the reporting period, the Company has examined its relevant existing internal control systems and made amendments and additions to the existing internal control systems, mainly setting out or amending a series of systems or guidelines including the management guidelines for purchase and tendering of the Company's equipment and materials for project construction, the management guidelines for the Company's property insurance, the management guidelines for the Company's

coal-fired power production costs, the management guidelines for the Company's prepayments, and the management guidelines for the Company's production and tendering. These systems and guidelines cover different aspects of the Company including human resources, property and materials; production, supply and sales; and decision-making, implementation and supervision. Such systems and guidelines substantiate the Company's internal management system and effectively assure the Company's regulated operation and legal operation.

As to organisational structure, the Company has established the Supervision and Auditing Department, with a comprehensive and effectively operating internal audit system. During the reporting period, a focus was put on the implementation of the internal control with regard to the Company's internal audit work with major inspections conducted on assets, materials and supplies management, contract management and connected transactions. Reports on the inspections and supervision of the Company's internal control are submitted to the Audit Committee of the Board on a regular basis. Meanwhile, several specialised task forces on aspects such as financial budgeting, bidding and tenders, and emergency incidents were established at the management level to assist the Company's President to make major decisions and to devise risk-prevention proposals in daily operations. Implementation of the Company's various management systems and an effective operation of the decision-making system facilitated by the Company's specialised committees serve a function of risk-prevention and assure the normal production and operation of the Company.

The Board has conducted a review of the effectiveness of the internal control system of the Company and its subsidiaries during the reporting period.

Pursuant to the relevant requirements of the Shanghai Stock Exchange, the Board published the "Self-assessment Report on the Company's Internal Control". For details, please refer to the website of the Shanghai Stock Exchange (www.sse.com.cn).

R *eport of the Directors*

The Directors are pleased to present the audited results of the Company for the year ended 31 December 2008.

Listing and Issue of Shares

The Company's H Shares have been listed on the Hong Kong Stock Exchange and the London Stock Exchange Limited since 21 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%. The Company's A shares have been listed on the Shanghai Stock Exchange since 20 December 2006. Pursuant to the resolution passed at the 2006 annual general meeting, the Company implemented the share capital expansion proposal by utilising its capital reserve fund to issue 10 bonus shares for every 10 shares held by the shareholders of the Company in 2007. Due to such changes, as at 31 December 2008, the total number of shares of the Company was 11,780,037,578 shares. Apart from that, the Company did not issue any new shares.

Performance of the Company's H shares during 2008:	
Closing price of H shares as at 31 December 2008	HK\$4.10
Highest trading price of H shares between 1 January and 31 December 2008	HK\$6.77
Lowest trading price of H shares between 1 January and 31 December 2008	HK\$2.26
Total number of H shares traded between 1 January and 31 December 2008	10,821,352,000 shares

Performance of the Company's A shares during 2008:

Closing price of A shares as at 31 December 2008	RMB 6.46
Highest trading price of A shares between 1 January and 31 December 2008	RMB 22.16
Lowest trading price of A shares between 1 January and 31 December 2008	RMB 5.25
Total number of A shares traded between 1 January and 31 December 2008	1,745,945,000 shares

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of the annual report, the Company confirms that the public float of the Company's H shares and A shares has complied with the requirements under the Listing Rules.

Accounts

The Company and its subsidiaries' audited results for the year ended 31 December 2008 are set out in the Consolidated Income Statement on page 59. The financial position of the Company and its subsidiaries as at 31 December 2008 is set out in the Balance Sheets on page 60 and 61.

The Company and its subsidiaries' consolidated cash flows for the year ended 31 December 2008 are set out in the Consolidated Cash Flow Statement on page 63.

Principal Businesses

The Company is principally engaged in the development and operation of power plants, the sale of electricity and thermal power, and the repair and testing of power equipment and power related technical services.

Major Suppliers and Customers

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

	2008	2007
Purchases		
The largest supplier	11.16%	12.47%
Top five suppliers	34.13%	39.85%
Sales		
The largest customer	54.72%	56.93%
Top five customers	90.04%	91.00%

To the knowledge of the Directors, none of the Directors, supervisors, their respective associates or shareholders 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, Jointly Controlled Entities and Associates

Details of subsidiaries, jointly controlled entities and associates of the Company are set out in note 7, 8 and 9 of the Notes to the Financial Statements on page 94 to page 104.

Dividend, Earnings per Share

The Board recommended the distribution of proposed dividend of RMB 0.11 per share (tax inclusive) for the Year. Dividends to be distributed to domestic shareholders will be declared in and paid by RMB, while those to be distributed to foreign shareholders will be declared in RMB but paid in Hong Kong dollar. The Hong Kong dollar exchange rate for the purpose of dividends payment shall be based on the average of the closing rates of the Hong Kong dollar/RMB exchange rates quoted by the People's Bank of China on each business day within the week immediately prior to payment.

Details of dividends and earnings per share are set out in note 37 and 38 of the Notes to the Financial Statements on page 162 to page 163.

Reserves

Movements in reserves during the Year are set out in note 21 of the Note to the Financial Statements on page 121 to page 124, among which, the details of the reserves attributable to be distributed to shareholders are set out in Note 21(e) to the Financial statements on page 124.

Property, Plant and Equipment

Details of movements in property, plant and equipment during the Year are set out in note 6 of the Notes to the Financial Statements from page 90 to page 94.

Donation

During the Year, the Company and its subsidiaries have made charity and relief donations of approximately RMB 3 million.

Share Capital

As at 31 December 2008, the total share capital of the Company amounted to 11,780,037,578 shares, divided into 11,780,037,578 shares carrying a nominal value of RMB 1.00 each. Movements in share capital during the Year are set out in note 20 of the Notes to the Financial Statements on page 120.

Share Capital Structure

As at 31 December 2008, the total number of shares issued by the Company was 11,780,037,578. The Company's shareholders were China Datang Corporation, Beijing Energy Investment (Group) Company, Hebei Construction Investment Company, Tianjin Jinneng Investment Company, other holders of domestic shares and foreign holders of H shares, holding 3,959,241,160 A shares, 1,343,584,800 A shares, 1,303,878,100 A shares, 1,212,012,600 A shares, 645,643,340 A shares and 3,315,677,578 H shares, respectively, representing 33.61%, 11.41%, 11.07%, 10.29%, 5.48% and 28.15%, respectively, of the issued share capital of the Company.

Among the H shares, China Datang Corporation's controlling subsidiary, China Datang Foreign Investment Company Limited, held 234,680,000 H shares, and therefore China Datang Corporation and China Datang Foreign Investment Company Limited held a total of 4,193,921,160 shares in the Company, representing 35.60% of the total share capital of the Company.

Number of Shareholders

Details of the shareholders as recorded in the register of members of the Company as at 31 December 2008 were as follows:

Total number of shareholders	268,421
Holders of domestic shares	267,914
Holders of H shares	507

Substantial Shareholders of the Company

As far as the Directors of the Company are aware, as at 31 December 2008, the interests or short positions of the person or entities in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Law of Hong Kong), were as follows:

Name of shareholder	Class of shares	No. of shares held	Percentage to total issued share capital of the Company (%)	Percentage to total issued A shares of the Company (%)	Percentage to total issued H shares of the Company
China Datang Corporation (note)	A shares	3,959,241,160	33.61	46.77	–
	H shares	234,680,000(L)	1.99(L)	–	7.08(L)
Beijing Energy Investment (Group) Company Limited (note)	A shares	1,343,584,800	11.41	15.87	–
Hebei Construction Investment Company (note)	A shares	1,303,878,100	11.07	15.40	–
Tianjin Jinneng Investment Company (note)	A shares	1,212,012,600	10.29	14.319	–
Barclays PLC	H shares	254,348,802(L) 16,153,168(S)	2.16(L) 0.14(S)	– –	7.67(L) 0.49(S)

(L) = Long positions (S) = Short positions (P) = Lending pool

Notes:

- | | |
|---|---|
| (1) Each of Mr. Zhai Ruoyu, Mr. Hu Shengmu and Mr. Fang Qinghai, all non-executive Directors, is an employee of China Datang Corporation. | (3) Ms. Guan Tiangang, a non-executive Director, is an employee of Beijing Jingneng International Energy Company Limited, a wholly-owned subsidiary of Beijing Energy Investment (Group) Company Limited. |
| (2) Mr. Liu Haixia, a non-executive Director, is an employee of Beijing Energy Investment (Group) Company Limited. | (4) Each of Mr. Su Tiegang and Mr. Ye Yonghui, both non-executive Directors, is an employee of Hebei Construction Investment Company. |
| | (5) Mr. Li Gengsheng, a non-executive Director, is an employee of Tianjin Jinneng Investment Company. |

Save as disclosed above, as far as the Directors are aware, as at 31 December 2008, save and except Mr. Fang Qinghai, a Director, who held 24,000 A Shares of the Company, there is no person holding interests or short positions in the shares or underlying shares of the Company which required to make disclosure in accordance with the requirements of the SFO.

Interests of Directors and Supervisors in Share Capital

As at 31 December 2008, save and except Mr. Fang Qinghai, a Director, who held 24,000 A shares of the Company, none of the Directors, supervisors and chief executives of the Company or their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (as defined in the SFO) 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 required to be recorded in the register mentioned in the SFO pursuant to section 352 of the SFO or otherwise required to notify the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

Directors' Service Contracts

As at 31 December 2008, the Company has not entered into any service contracts with its 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, either directly or indirectly, subsisted at the end of the Year or 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.

Interests of Substantial Shareholders in Contracts

Save as disclosed in this annual report, none of the Company or its subsidiaries have entered into any material contracts or material service contracts with the Company's substantial shareholders or its subsidiaries.

Highest Paid Individuals

During the Year, a salary system revolving positional salary was adopted for the Company's Directors, supervisors and senior management, and appraisals were carried out in accordance with the three accountability appraisal management systems. The Remuneration and Appraisal Committee assessed such person's performance and remuneration level.

All of the highest paid individuals of the Company during the Year include Directors, supervisors and senior management staff. Details of their remuneration are set out in note 36 of the Notes to the Financial Statements on page 160 to page 162.

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

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

Bank Borrowings, Overdrafts and Other Borrowings

Apart from the loans from China Datang Corporation Finance Company Limited, short-term loans from banks, other short-term loans, long-term loans from banks, other long-term loans and loans from shareholders as set out in notes 22 and 23 of the Notes to the Financial Statements on page 125 to page 134, there were no other loans of the Company and its subsidiaries as at 31 December 2008.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association and applicable PRC Laws that require the Company to offer new shares to the existing shareholders in proportion to their shareholding.

Connected Transactions

During the Year, the Company or its subsidiaries performed the following major continuing connected transactions (as defined in Chapter 14A of the Listing Rules) with its connected parties as defined by the Listing Rules, and such transactions were in compliance with the requirements on connected transactions under Chapter 14A of the Listing Rules.

Details of such major transactions	Amount (RMB'000)
Ash disposal fee to China Datang Corporation	57,892
Average daily balance of deposit in China Datang Corporation Finance Company Limited	1,548,666
Deposits in China Datang Corporation Finance Company Limited as of 31 December 2008	986,969

Note1: As at 31 December 2008, the balance of deposits of the Company and its subsidiaries in China Datang Corporation Finance Company Limited ("Datang Finance") was RMB 986,969,000.

Note2: Pursuant to the "Financial Services Agreement" entered into by the Company and Datang Finance, the average daily deposit balance for the Company's deposits at Datang Finance did not exceed the upper limit of the average daily deposit balance of RMB 4.5 billion as set out in the agreement in 2008.

In April 2008, the Company and China Datang Corporation, the controlling shareholder of the Company, entered into the "Investment and Co-operation Agreement in relation to Inner Mongolia Datang International Kesheketing Qi Natural Gas Project" with other two investment parties to establish a project company, for the purposes of planning, constructing and operating the Kesheketing Qi Natural Gas Project in Inner Mongolia (4 billion cubic meters of natural gas per annum). The total investment of the project amounted to approximately RMB 18.78 billion and is subject to approval by the State's relevant authorities. To date, the project company has not yet been established.

In August 2008, the Company entered into an investment agreement with Tangshan City Construction Investment Company to contribute to the establishment of a project company in the proportion of 84% and 14%, respectively, for the purposes of constructing and operating the Fengrun Thermal Power Project (two 300MW thermal power generating units). The total investment of the project amounted to approximately RMB 2.576 billion. The project was approved by the relevant State authorities. To date, the project company has not yet been established. (Tangshan City Construction Investment Company held approximately 20% equity interest of the Company's controlling subsidiary, Hebei Datang International Tangshan Thermal Power Company Limited. Accordingly, the entering into the investment agreement with Tangshan City Construction Investment Company constituted a connected transaction of the Company under the regulations of the Listing Rules.)

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

- (1) the above transactions were made in the ordinary and the usual course of business of the Company;
- (2) the above transactions were made with the following terms: (a) normal commercial terms (i.e. such terms are applicable to similar transactions with other similar business entities in China); or (b) terms that are fair and reasonable for the shareholders of the Company if there were no comparable terms.
- (3) the above transactions were made with the following terms: (a) according to the agreement terms governing such transactions; or (b) if in absence of such agreements, terms not worse than those made with third parties.

The Company's auditors have reviewed the above transactions of the Year and notified the Board in writing that:

- (a) the above transactions were approved by the Directors;
- (b) the above transactions were entered into pursuant to the agreement terms governing those transactions and the pricing method of the Company set out in note 35 to the Notes to the Financial Statements for the year ended 31 December 2008;
- (c) the above transactions did not exceed their respective cap applicable to such transactions.

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 has to pay a basic pension insurance premium on behalf of the employees at a rate of 20% of the staff's salaries whereby the employees would receive a monthly pension payment each month after retirement. In addition, the Company has also implemented an enterprise annuity plan, whereby employees will make monthly contributions at a fixed amount as individual savings pension insurance fund, while the Company will contribute a proportionate amount of the employees' contributions as supplementary pension insurance fund. The Company may at its discretion provide additional nonrecurring individual savings pension insurance fund depending on the operating results of the year. When retired, an employee will receive individual savings pension insurance fund and corporate supplemental savings pension insurance fund by the Company. Apart from such contributions, the Company has no other liabilities towards the staff retirement scheme.

Interest Capitalisation

During the Year, the interest capitalised in respect of construction-in-progress amounted to approximately RMB 2,763,578,000.

Other Significant Matters

1. Pursuant to the resolution passed at the Company's 2007 annual general meeting held on 30 May 2008, the Company distributed a 2007 cash dividend of RMB 0.12 per share (tax inclusive) to all shareholders based on the total share capital of 11,738,183,947 shares of the Company as at 30 April 2008.

- Pursuant to the resolutions passed at the Company's 2007 annual general meeting held on 30 May 2008, it was resolved that Mr. Li Hengyuan be appointed as independent executive Director of the Company, Mr. Cao Jingshan be appointed as executive Director of the Company, and Mr. Zhang Xiaoxu be appointed as supervisor of the Company, with their terms of office starting from 30 May 2008 and ending at 30 June 2010. Mr. Zhang Yi ceased to be a Director of the Company and Mr. Zhang Wantuo ceased to be a supervisor of the Company.

The Audit Committee considers that the 2008 annual financial report of the Company and its subsidiaries have complied with the applicable accounting standards, and that the company has made appropriate disclosure thereof.

Compliance of the Code on Corporate Governance Practices

To the knowledge of the Board, the Company has complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 to the Listing Rules during the Year.

Compliance of the Model Code for Securities Transactions by Directors of Listed Issuers

Upon specific enquiries made to all Directors and in accordance with information provided, the Board confirmed that all Directors have complied with the Model Code as the code of conduct for securities transactions by Directors during the Year.

Independent Non-executive Directors

After making queries and reviewing the annual confirmation letters from all independent non-executive Directors in respect of their independence according to Rule 3.13 of the Listing Rules, the Company confirms that all independent non-executive Directors are independent individuals.

Auditors

The Company's financial statements for the year ended 31 December 2008 prepared under International Financial Reporting Standards have been audited by PricewaterhouseCoopers ("PwC"). The financial statements for the year ended 31 December 2008 prepared under the PRC Accounting Standards have been audited by PricewaterhouseCoopers Zhong Tian CPAs Limited Company ("PwC Zhong Tian"). A resolution regarding the re-appointment of PwC as the international auditors and PwC Zhong Tian as the domestic auditors will be proposed at the annual general meeting. The Company has not changed its auditors in the previous seven years.

By Order of the Board

Zhai Ruoyu

Chairman

30 March 2009

Report of the Supervisory Committee

During 2008, in compliance with the principle of being accountable to all shareholders of the Company and in accordance with the Company Law of the PRC (the “Company Law”), the Articles of Association of Datang International Power Generation Co., Ltd. (the “Articles of Association”), Order of Meeting of the Supervisory Committee of Datang International Power Generation Co., Ltd. (the “Order of Meeting of Supervisory Committee”) and the relevant requirements of the listing rules of the Company’s listing locations, members of the Supervisory Committee of the Company dutifully and conscientiously discharged their

monitoring duty. In 2008, the Supervisory Committee attended all general meetings, Board meetings and meetings of the specialised committees of the Board held during the Year. Meanwhile, it actively participated in the review of the Company’s major decisions and examined the Company’s operation and financial position periodically. It also strove to protect the rights of the shareholders, the benefits of the Company as well as the legal interests of staff. The detailed report on the work of the Supervisory Committee for 2008 is as follows:

Supervisory Committee Meetings

Convening of Supervisory Committee meetings	Details of the subjects discussed at the Supervisory Committee meetings
On 26 March 2008, the third meeting of the sixth session of Supervisory Committee of the Company was held.	Considered and approved the 2007 Work Report of the Supervisory Committee, the 2007 Financial Budget, the 2008 Financial Budget, the full text and the summary of the 2007 Annual Report and Resolutions on the Proposal to the General Meeting on Replacement of Supervisor.
On 29 April 2008, the fourth meeting of the six session of Supervisory Committee of the Company was held by way of written correspondence.	Considered and approved the 2008 First Quarterly Report of the Company.
On 30 May 2008, the fifth meeting of the six session of Supervisory Committee of the Company was held.	Considered and approved and elected Mr. Zhang Xiaoxu as the vice chairman of the Supervisory Committee.

Convening of Supervisory Committee meetings	Details of the subjects discussed at the Supervisory Committee meetings
On 28 July 2008, the sixth meeting of the six session of Supervisory Committee of the Company was held by way of written correspondence.	Considered and agreed on the “Opinions of the Supervisory Committee of the Company on the Self-inspection Review on Appropriation of Funds of the Listed Company by the Major Shareholder”, confirming that all existing internal control systems of the Company are sound, rational, operationally workable and effective, and that the major shareholder and connected parties of the Company did not appropriate any funds of the Company.
On 26 August 2008, the seventh meeting of the six session of Supervisory Committee of the Company was held.	Considered and approved the full text and summary of the 2008 Interim Report of the Company.
On 27 October 2008, the eighth meeting of the six session of Supervisory Committee of the Company was held by way of written correspondence.	Considered and approved the 2008 Third Quarterly Report of the Company.

Independent Opinions of the Supervisory Committee on Relevant Matters of the Company

(1) The Company’s Operation in Compliance with Laws

During the reporting period, members of the Supervisory Committee participated in the discussions on major operating decisions through attending Board meetings and general meetings of the Company, and monitored the financial position and the operation of the Company. The Supervisory Committee is of the view that the Company’s business was regulated and operating in strict compliance with the Company Law and the Articles of Association and other relevant regulations and systems in 2008 and its operation and decisions were scientific and rational. Meanwhile, the Company enhanced its internal management and internal control systems and established sound internal control mechanisms. In fulfilling their duties, directors and senior management of the Company acted diligently and dutifully, abiding by the State laws and regulations and the Articles of Association and systems as well as safeguarding the interests of the Company. No act which violated laws and regulations or contravened the Company’s interests and minority shareholders’ lawful interests were discovered.

(2) Financial Activities of the Company

During the reporting period, the Supervisory Committee conscientiously and carefully examined and reviewed the Company’s accounting statements and financial information. The Supervisory Committee also took part in reviewing the auditors’ report and offered opinions and recommendations on the auditors’ work. The Supervisory Committee is of the view that the preparation of the Company’s financial statements complies with the relevant requirements of the Accounting Rules for Business Enterprises and the Accounting Standards for Business Enterprises, and that the Company’s 2008 financial report and the standard unqualified audit report issued by the accountants truthfully reflect the financial position and operating results of the Company.

(3) Actual Application of the Latest Fundraising Proceeds by the Company

In December 2006, the Company issued 500 million A shares, raising proceeds of RMB 3,340 million (net proceeds amounted to RMB 3,279 million). As at the end of 2008, all the proceeds had been utilised and there was no actual application of fundraising proceeds during the reporting period.

(4) Acquisition and Disposal of Assets by the Company

In 2008, the Company mainly conducted the following acquisition of assets:

- (i) Pursuant to the signed agreement, Datang International (Hong Kong) Limited, a wholly-owned subsidiary of the Company, acquired 90% equity interest in Zhenxing Power Co., Ltd. to operate the hydropower generating units at Qinghai Zhiganglaka Hydropower Station with a total capacity of 152MW.
- (ii) Pursuant to the signed agreement, the Company acquired 52% interest in Inner Mongolia Datang International Zhungeer Mining Company Limited (“Zhungeer Mining Company”) and has become the controlling shareholder of Zhungeer Mining Company.

The above-mentioned acquisitions were considered and approved by the Board of the Company and involved connected transactions. Independent Directors expressed independent opinions that the considerations of the relevant acquisition were reasonable, and the acquisitions did not harm the interests of the Company’s shareholders.

(5) The Connected Transactions Engaged by the Company

The connected transactions engaged by the Company (including those related to daily operation, assets acquisition or disposal, joint external investment and

related debts and liabilities) during the Year complied with normal commercial terms. Such transactions complied with the requirements of the State laws, regulations and the Articles of Association, while the information disclosure and related obligations were timely and thoroughly fulfilled in accordance with the requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

Work Plan for 2009

In 2009, members of the Supervisory Committee of the Company will conscientiously learn the relevant State laws and regulations in order to enhance its political quality and business ability, and to raise the awareness of strengthening supervision and diligently and dutifully fulfilling obligations. With a spirit of being accountable to shareholders and the staff of the enterprise, as well as aligning with the Company’s operating activities, members of the Supervisory Committee exercise effective supervision over the Company’s major decisions through attending Board meetings and relevant important business meetings of the Company, with a view to raising the Company’s awareness of risk-prevention. They will also improve the internal control system of the Company and continuously enhance the corporate governance structure, with a view to further upgrading the regulated operation standards of the Company.

Supervisory Committee of
Datang International Power Generation Co., Ltd.

30 March 2009

Taxation in the United Kingdom

The comments below are a general guide only, based on the tax law and practice in force as at the date of this document which may be subject to changes or revisions. They relate only to certain limited aspects of the tax position of shareholders of the Company who are United Kingdom ("UK") resident, and (if an individual) who are also UK ordinarily resident and domiciled and who hold shares in the Company as an investment, not as a share dealer or financial trader ("Relevant Shareholders"). This section is not intended to be and should not be construed as legal or tax advice to any particular shareholder. If you are in any doubt as to your tax position you should consult an appropriate professional advisor.

Relevant Shareholders will generally be subject to UK income tax or corporation tax on the gross amount of dividends paid by the Company, but will normally be entitled to a credit against such UK income tax or corporation tax for any PRC withholding tax charged on the dividend.

Under the current double taxation treaty between the PRC and the UK, Relevant Shareholders will generally be entitled to a reduced rate of PRC withholding tax on dividends paid to them by the Company (details of which can be obtained from HM Revenue & Customs). Individual shareholders with a less than 10% shareholding in the company will also be entitled to a non-payable tax credit of one ninth of the distribution (if it is made after 5th April 2008).

Furthermore, corporate Relevant Shareholders who control (directly or indirectly) at least 10% of the voting rights of the Company may be entitled to credit against UK corporation tax chargeable in respect of dividends paid to them by the Company for any underlying PRC tax payable by the Company in respect of the profits out of which dividends were paid.

Relevant Shareholders will generally be subject to UK tax on chargeable gains on any gain on a disposal of shares, as computed for the purposes of such tax.

Independent Auditor's Report



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong
Telephone: (852) 2289 8888
Facsimile: (852) 2810 9888
pwchk.com

To the shareholders of Datang International Power Generation Co., Ltd.
(incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Datang International Power Generation Co., Ltd. ("the Company") and its subsidiaries (together, the "Company and its subsidiaries") set out on pages 59 to 175, which comprise the consolidated and company balance sheets as of 31 December 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Independent Auditor's Report

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and of the Company and its subsidiaries as of 31 December 2008, and of the Company and its subsidiaries' financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Other Matters

This report, including the opinion, has been prepared for and only for you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30 March 2009

Consolidated Income Statement

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb, except per share data)

	Note	2008	2007 (Restated) (Note 5)
Operating revenue	31	36,835,761	32,762,789
Operating costs			
Local government surcharges		(317,509)	(341,363)
Fuel		(22,506,680)	(15,257,655)
Depreciation		(6,158,729)	(4,912,604)
Repairs and maintenance		(976,485)	(999,245)
Wages and staff welfare		(1,776,793)	(1,585,620)
Others		(2,170,065)	(1,743,728)
Total operating costs		(33,906,261)	(24,840,215)
Operating profit	32	2,929,500	7,922,574
Share of results of jointly controlled entities	8	(57,278)	(32,672)
Share of results of associates	9	427,796	168,834
Gain from investment securities	10	893,522	–
Interest income		83,395	66,765
Finance costs	33	(3,664,750)	(2,062,154)
Profit before income tax		612,185	6,063,347
Taxation	34	(71,811)	(1,497,550)
Profit for the year		540,374	4,565,797
Attributable to:			
– Equity holders of the Company		761,335	3,564,406
– Minority interests		(220,961)	1,001,391
		540,374	4,565,797
Earnings per share for profit attributable to the equity holders of the Company during the year			
– basic (Rmb)	38	0.06	0.31
– diluted (Rmb)	38	0.06	0.31
Dividends	37	1,295,804	1,408,582

The notes on pages 64 to 175 are an integral part of these financial statements.

Balance Sheets

As at 31 December 2008

(All amounts expressed in thousands of Rmb)

	Note	Company and its subsidiaries		Company	
		As at 31 December 2008	2007 (Restated) (Note 5)	As at 31 December 2008	2007 (Restated) (Note 5)
ASSETS					
Non-current assets					
Property, plant and equipment	6	133,827,482	99,967,852	34,302,022	22,308,977
Investments in subsidiaries	7	–	–	9,643,931	6,503,628
Investments in jointly controlled entities	8	1,302,097	988,795	1,366,826	996,501
Investments in associates	9	2,050,393	1,402,347	1,301,382	686,802
Available-for-sale investments	10	675,849	4,733,764	569,400	4,650,431
Land use rights	11	1,231,322	806,705	542,979	331,199
Deferred housing benefits	12	193,469	260,945	46,081	92,174
Intangible assets	13	2,031,158	190,512	587,944	38,893
Long-term entrusted loans					
to subsidiaries and associates	14	50,104	–	5,212,655	1,223,657
Other long-term assets		79,350	90,000	–	–
Deferred income tax assets	34	710,559	156,792	30,811	14,613
		<u>142,151,783</u>	<u>108,597,712</u>	<u>53,604,031</u>	<u>36,846,875</u>
Current assets					
Short-term entrusted loans					
to subsidiaries and associates	16	–	47,751	260,529	2,264,492
Inventories	15	2,142,761	992,983	376,425	197,815
Prepayments and other receivables	17	2,335,552	997,925	2,671,630	996,901
Dividend receivable		–	–	96,357	46,462
Accounts receivable	18	3,906,684	4,937,342	1,090,164	1,792,788
Notes receivable	18	394,523	743,747	310,800	708,000
Short-term bank deposits over					
three months	19	30,000	25,000	–	–
Restricted monetary assets	19	460,477	–	–	–
Cash and cash equivalents	19	4,977,691	3,446,362	2,053,885	1,164,857
Assets of disposal group classified					
as held for sale	29	992,146	–	545,000	–
		<u>15,239,834</u>	<u>11,191,110</u>	<u>7,404,790</u>	<u>7,171,315</u>
Total assets		<u>157,391,617</u>	<u>119,788,822</u>	<u>61,008,821</u>	<u>44,018,190</u>

Balance Sheets (Cont'd)

As at 31 December 2008

(All amounts expressed in thousands of Rmb)

	Note	Company and its subsidiaries As at 31 December		Company As at 31 December	
		2008	2007 (Restated) (Note 5)	2008	2007 (Restated) (Note 5)
EQUITY AND LIABILITY					
Capital and reserves attributable to the equity holders of the Company					
Share capital	20	11,780,038	11,734,083	11,780,038	11,734,083
Reserves	21	11,510,935	14,353,306	11,390,494	13,874,353
Retained earnings	21				
– Proposed final dividend		1,295,804	1,408,582	1,295,804	1,408,582
– Others		1,403,228	2,259,705	1,065,496	96,761
		<u>25,990,005</u>	<u>29,755,676</u>	<u>25,531,832</u>	<u>27,113,779</u>
Minority interests		<u>4,654,462</u>	<u>4,599,081</u>	<u>–</u>	<u>–</u>
Total equity		<u>30,644,467</u>	<u>34,354,757</u>	<u>25,531,832</u>	<u>27,113,779</u>
Non-current liabilities					
Long-term loans	22	68,130,422	43,550,915	13,697,500	3,792,700
Deferred income	24	475,212	386,566	318,336	274,663
Deferred income tax liabilities	34	395,539	1,101,977	34,413	985,838
Other long-term liabilities	25	4,170,097	98,667	–	–
		<u>73,171,270</u>	<u>45,138,125</u>	<u>14,050,249</u>	<u>5,053,201</u>
Current liabilities					
Accounts payable and accrued liabilities	26	13,144,818	9,847,849	3,509,935	2,998,498
Taxes payable		381,272	985,958	401,718	444,213
Dividend payable		145	1,536	–	–
Short-term loans	23	29,584,108	22,164,529	13,302,587	4,800,000
Short-term bonds	27	3,500,000	3,000,000	3,500,000	3,000,000
Current portion of long-term loans and bonds	28	6,821,589	4,296,068	712,500	608,499
Liabilities of disposal group classified as held for sale	29	143,948	–	–	–
		<u>53,575,880</u>	<u>40,295,940</u>	<u>21,426,740</u>	<u>11,851,210</u>
Total liabilities		<u>126,747,150</u>	<u>85,434,065</u>	<u>35,476,989</u>	<u>16,904,411</u>
Total equity and liabilities		<u>157,391,617</u>	<u>119,788,822</u>	<u>61,008,821</u>	<u>44,018,190</u>

Approved by the Board of Directors on 30 March 2009

Cao Jingshan
Director

Zhou Gang
Director

The notes on pages 64 to 175 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb)

		Attributable to equity holders of the Company and its subsidiaries											
Note	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Restricted reserve	Currency translation difference	Available-for-sale reserve	Other reserve	Retained earnings	Total	Minority interests	Total equity	
	Balance as at 1 January 2007	5,662,849	6,432,245	2,292,203	5,741,287	181,244	422	690,508	149,796	2,745,497	23,896,051	3,304,667	27,200,718
5	Adjustments to beginning balance	-	-	-	-	-	-	-	-	-	-	(61,804)	(61,804)
	Balance as at 1 January 2007, adjusted	5,662,849	6,432,245	2,292,203	5,741,287	181,244	422	690,508	149,796	2,745,497	23,896,051	3,242,863	27,138,914
	Fair value gains, net of tax: available-for-sale financial assets	-	-	-	-	-	-	2,624,071	-	-	2,624,071	-	2,624,071
	Profit for the year	-	-	-	-	-	-	-	3,564,406	3,564,406	1,001,391	4,565,797	
	Currency translation differences	-	-	-	-	-	(3,266)	-	-	-	(3,266)	-	(3,266)
	Total recognised income and expense for the year	-	-	-	-	-	(3,266)	2,624,071	-	3,564,406	6,185,211	1,001,391	7,186,602
	Capital injection into subsidiaries from minority shareholders	-	-	-	-	-	-	-	-	-	-	1,131,510	1,131,510
28	Conversion of convertible bond	226,354	931,649	-	-	-	-	-	(134,875)	-	1,023,128	-	1,023,128
37	Capital reserve transfer to share capital	5,844,880	(5,844,880)	-	-	-	-	-	-	-	-	-	-
37	Dividends declared	-	-	-	-	-	-	-	(1,348,714)	(1,348,714)	(776,683)	(2,125,397)	
21(d)	Transfer from restricted reserve	-	-	-	-	(56,619)	-	-	56,619	-	-	-	-
21	Profit appropriations	-	-	328,747	1,020,774	-	-	-	(1,349,521)	-	-	-	-
	Balance as at 31 December 2007	11,734,083	1,519,014	2,620,950	6,762,061	124,625	(2,844)	3,314,579	14,921	3,668,287	29,755,676	4,599,081	34,354,757
	Balance as at 1 January 2008	11,734,083	1,519,014	2,620,950	6,762,061	124,625	(2,844)	3,314,579	14,921	3,668,287	29,755,676	4,599,081	34,354,757
	Fair value losses, net of tax: available-for-sale financial assets	-	-	-	-	-	-	(2,518,002)	-	-	(2,518,002)	-	(2,518,002)
	Disposals of available-for-sale financial assets	-	-	-	-	-	-	(670,142)	-	-	(670,142)	-	(670,142)
	Profit/(loss) for the year	-	-	-	-	-	-	-	761,335	761,335	(220,961)	540,374	
	Currency translation differences	-	-	-	-	-	19,880	-	-	-	19,880	-	19,880
	Total recognised income and expense for the year	-	-	-	-	-	19,880	(3,188,144)	-	761,335	(2,406,929)	(220,961)	(2,627,890)
	Transaction with minority interests	-	-	-	-	-	-	-	(69,021)	-	(69,021)	(41,915)	(110,936)
	Minority interests arising from business combinations	-	-	-	-	-	-	-	-	-	-	779,304	779,304
	Subsidy from government	-	-	-	-	-	-	-	13,853	-	13,853	-	13,853
	Capital injection into subsidiaries from minority shareholders	-	-	-	-	-	-	-	-	-	-	270,551	270,551
	Sale of interest in a subsidiary	-	-	-	-	-	-	-	-	-	-	98,778	98,778
28	Conversion of convertible bond	45,955	73,974	-	-	-	-	-	(14,921)	-	105,008	-	105,008
37	Dividends declared	-	-	-	-	-	-	-	(1,408,582)	(1,408,582)	(830,376)	(2,238,958)	
21(d)	Transfer from restricted reserve	-	-	-	-	(8,969)	-	-	8,969	-	-	-	-
21	Profit appropriations	-	-	292,346	38,631	-	-	-	(330,977)	-	-	-	-
	Balance as at 31 December 2008	11,780,038	1,592,988	2,913,296	6,800,692	115,656	17,036	126,435	(55,168)	2,699,032	25,990,005	4,654,462	30,644,467

The notes on pages 64 to 175 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb)

	Note	2008	2007 (Restated) (Note5)
Cash flows from operating activities			
Cash generated from operations	39(a)	7,815,259	11,749,893
Interest received		82,895	66,765
Income tax paid		(733,828)	(1,292,443)
Net cash generated from operating activities		7,164,326	10,524,215
Cash flows from investing activities			
Purchases of property, plant and equipment		(33,176,024)	(25,769,877)
Increase in short-term bank deposits over three months		(30,000)	(25,000)
Investments in associates and jointly controlled entities		(1,228,031)	(121,110)
Purchase of interest from minority interests		(110,938)	–
Increase in available-for-sale investments		(231,016)	(17,000)
Acquisition, net of cash acquired	40	(1,263,903)	79,338
Proceeds from sales of available-for-sale investments		1,389,671	–
Proceeds from sale of interest in a subsidiary		98,778	–
Proceeds from disposal of property, plant and equipment		130,933	1,238
Dividends received		97,855	54,169
Proceeds from other investing activities		197,912	131,447
Net cash used in investing activities		(34,124,763)	(25,666,795)
Cash flows from financing activities			
Capital contribution into subsidiaries from minority shareholders		198,051	1,131,510
Proceeds from long-term loans		32,365,430	12,782,148
Proceeds from short-term loans		51,302,487	34,739,502
Proceeds from sale and lease back		4,455,019	–
Proceeds from short-term bonds		3,500,000	3,000,000
Repayments of long-term loans		(5,903,749)	(9,077,732)
Repayments of short-term loans		(45,719,427)	(21,755,889)
Repayments of short-term bonds		(3,000,000)	(1,000,000)
Interest paid		(6,074,308)	(3,495,256)
Dividends paid		(2,240,349)	(2,123,860)
Others		(405,645)	(55,656)
Net cash generated from financing activities		28,477,509	14,144,767
Net increase/(decrease) in cash and cash equivalents		1,517,072	(997,813)
Cash and cash equivalents at beginning of year		3,446,362	4,447,294
Exchange gains/(losses) on cash		14,257	(3,119)
Cash and cash equivalents at end of year		4,977,691	3,446,362

The notes on pages 64 to 175 are an integral part of these financial statements.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

1. General Information

Datang International Power Generation Co., Ltd. (the “Company”) was incorporated in Beijing, the People’s Republic of China (the “PRC”), on 13 December 1994 as a joint stock limited company. The address of its registered office is No.9 Guangningbo Street, Xicheng District, Beijing, the PRC. The Company listed its H Shares on the Stock Exchange of Hong Kong Limited and the London Stock Exchange Limited on 21 March 1997 and was registered as a sino-foreign joint venture on 13 May 1998. On 20 December 2006, the Company listed its A Shares on the Shanghai Stock Exchange.

The principal activity of the Company and its subsidiaries (the “Company and its subsidiaries”) is power generation and power plant development in the PRC. Substantially all of the businesses of the Company and its subsidiaries are conducted within one industry segment.

The directors consider that China Datang Corporation (“China Datang”), which is incorporated in the PRC, is the controlling shareholder of the Company. China Datang does not produce financial statements available for public use.

These consolidated financial statements have been approved for issue by the Board of Directors on 30 March 2009.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company and its subsidiaries. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

A significant portion of the Company and its subsidiaries' funding requirements for capital expenditure was satisfied by short-term borrowings. As at 31 December 2008, the Company and its subsidiaries had a negative working capital balance of approximately Rmb 38,336 million (2007: Rmb 29,105 million). The Company and its subsidiaries had significant undrawn borrowing facilities, subject to certain conditions, amounting to approximately Rmb 38,163 million (2007: Rmb 55,069 million) (Note 39 (b)) and may refinance and/or restructure certain short-term loans into long-term loans and will also consider alternative sources of financing, where applicable. The directors of the Company and its subsidiaries are of the opinion that the Company and its subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these consolidated financial statements on a going concern basis.

Standards, interpretations and amendments to published standards not yet effective and relevant to the operations of the Company and its subsidiaries

The following standards and amendments to existing standards have been published and are mandatory for the accounting periods of the Company and its subsidiaries, beginning on or after 1 January 2009 or later periods, but the Company and its subsidiaries have not early adopted them:

- International Accounting Standard ("IAS") 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Company and its subsidiaries will apply IAS 1 (Revised) from 1 January 2009. It is likely that both the consolidated income statement and statement of comprehensive income will be presented as performance statements.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Standards, interpretations and amendments to published standards not yet effective and relevant to the operations of the Company and its subsidiaries (Continued)

- IAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company and its subsidiaries will apply IAS 23 (Revised) from 1 January 2009. The adoption of IAS 23 (Revised) will not affect the Company and its subsidiaries as interest and other costs on borrowings to finance the construction of property, plant and equipment are capitalised under the existing accounting policy of the Company and its subsidiaries.
- IAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009). The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Company and its subsidiaries will apply IAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Company and its subsidiaries will apply IFRS 3 (Revised) prospectively to all business combinations from 1 January 2010.
- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 'Segment Reporting' and requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purpose. The Company and its subsidiaries will apply IFRS 8 from 1 January 2009. Management considered there is no material impact from adopting this new standard on the financial statements of the Company and its subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(a) Basis of preparation (Continued)

Standards, interpretations and amendments to published standards not yet effective and relevant to the operations of the Company and its subsidiaries (Continued)

- IASB's annual improvements project published in May 2008
 - IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with IAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Company and its subsidiaries will apply IAS 1 (Amendment) from 1 January 2009. It is not expected to have an impact on the financial statements of the Company and its subsidiaries.
 - IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosure') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Company and its subsidiaries will apply IAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009.
 - IFRS 5 (Amendment), 'Non-current assets held for sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009). The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control, and relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS. The Company and its subsidiaries will apply IFRS 5 (Amendment) prospectively to all partial disposals of subsidiaries from 1 January 2010.
 - There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the balance sheet date', IAS 18, 'Revenue', IAS 20, 'Accounting for government grants and disclosure of government assistance', IAS 23, 'Borrowing costs', IAS 34, 'Interim financial reporting', IAS 36, 'Impairment of assets' and IAS 38, 'Intangible assets', which are not addressed above. These amendments are unlikely to have an impact on the financial statements of Company and its subsidiaries and have therefore not been analysed in detail.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up to 31 December 2008.

Subsidiaries

Subsidiaries are all entities over which the Company and its subsidiaries have the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and its subsidiaries and are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Company and its subsidiaries' share of the identifiable net assets acquired is recorded as goodwill. See Note 2(g) for the accounting policy on goodwill. If the cost of acquisition is less than the fair value of the share of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary in the consolidated financial statements to ensure consistency with the policies adopted by the Company and its subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(b) Consolidation (Continued)

Transactions with minority interests

The Company and its subsidiaries applies a policy of treating transactions with minority interests as transactions with equity owners of the Company and its subsidiaries. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

Jointly controlled entities and associates

Jointly controlled entities are all entities over which the Company and its subsidiaries and other parties undertake an economic activity through a contractual arrangement which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

Associates are all entities over which the Company and its subsidiaries have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in jointly controlled entities and associates are accounted for using the equity method of accounting and are initially recognised at cost. The Company and its subsidiaries' share of the post-acquisition profits or losses of jointly controlled entities and associates is recognised in the consolidated income statement and their share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments. The Company and its subsidiaries' investments in jointly controlled entities and associates include goodwill identified on acquisition, net of any accumulated impairment loss (Note 2(h)). When the Company and its subsidiaries' share of losses in a jointly controlled entity or associate equals or exceeds their interest in the jointly controlled entity or associate, including any other unsecured receivables, the Company and its subsidiaries do not recognise further losses, unless the Company and its subsidiaries have incurred obligations or made payments on behalf of the jointly controlled entities or associates.

Unrealised gains on transactions between the Company and its subsidiaries and their jointly controlled entities and associates are eliminated to the extent of the Company and its subsidiaries' interests in the jointly controlled entities and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities and associates have been changed where necessary to ensure consistency with the policies adopted by the Company and its subsidiaries.

In the Company's balance sheet the investments in jointly controlled entities and associates are stated at cost less provision for impairment losses (Note 2(h)). The results of jointly controlled entities and associates are accounted for by the Company on the basis of dividends received and receivable.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and return that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each entity of the Company and its subsidiaries are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in Renminbi (“Rmb”), which is the functional and presentation currency of the Company.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement unless it arises from foreign currency loans borrowed for the purchase or construction of qualifying assets which is eligible for capitalisation.

Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each consolidated income statement are translated at average exchange rates of the month when the transaction incurred (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(d) Foreign currency translation (Continued)

Group companies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(e) Property, plant and equipment

Property, plant and equipment, apart from construction-in-progress, are stated at historical cost less accumulated depreciation and accumulated impairment loss. The initial cost comprises purchase price, import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Construction-in-progress represents plants and properties under construction and is stated at cost, which includes the costs of construction, plant and machinery, prepayments for the equipment and other direct costs. Construction-in-progress is not depreciated until such time as the relevant assets are completed and ready for its intended use when they are transferred to the relevant asset categories.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Dam	45 years
Buildings	20-50 years
Electricity utility plants in service	12-45 years
Transportation facilities, computer and others	4-10 years

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated income statement during the financial period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(e) Property, plant and equipment (Continued)

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2(h)).

Gains and losses on disposals are determined by comparing the proceeds on disposal with the carrying amount and are included in the consolidated income statement.

(f) Land use rights

Land use rights represent upfront prepayments made for the land use rights and lease hold land and are expensed in the consolidated income statement on a straight-line basis over the period of the leases. When there is impairment, the impairment is expensed in the consolidated income statement. Land use rights granted by government that has indefinite useful lives are not amortised.

(g) Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company and its subsidiaries' share of the net identifiable assets of the acquired subsidiary/jointly controlled entity/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of jointly controlled entities and associates is included in investments in jointly controlled entities and associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Resource use rights

Resource use rights are stated at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (10 years) and recorded in 'other operating cost' in the consolidated income statement.

Mining Rights

Mining rights are stated at cost, less accumulated amortisation and impairment losses and are amortised on a systemic method that reflects the future economic benefits expected to flow to the Company and its subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(g) Intangible assets (Continued)

Technology know-how

Acquired technology know-how are related to the production process of coal chemical products, which is initially recognised at acquisition cost and subsequently amortised on straight-line basis over the beneficial period since the commencement of commercial production.

Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives and recorded in 'operating costs-others' in the consolidated income statement.

(h) Impairment of investment in subsidiaries, associates, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use.

(j) Financial assets

The Company and its subsidiaries classified their financial assets into the following categories: loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(j) Financial assets (Continued)

Classification

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are classified as 'notes receivable', 'accounts receivable', 'prepayments and other receivables', 'dividend receivable' and 'short-term and long-term entrusted loans to subsidiaries and associates' in the balance sheet.

Available-for-sale investments

Available-for-sale investments are non-derivatives financial assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose the investment within 12 months of the balance sheet date.

Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date – the date on which the Company and its subsidiaries commit to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company and its subsidiaries have transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of available-for-sale investments are recognised in equity. When available-for-sale investments are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as 'Gain or loss from investment securities'. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement when the right of the Company and its subsidiaries to receive payments is established.

The fair values of quoted investments are based on current bid price. If the market for a financial asset is not active (and for unlisted securities), the Company and its subsidiaries establish fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs. Investments in equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recorded at cost.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(j) Financial assets (Continued)

Recognition and measurement (Continued)

The Company and its subsidiaries assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the consolidated income statement. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. Impairment loss of the available-for-sale financial investments recorded at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment testing of loans and receivables is described in Note 2(l).

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories are expensed to fuel costs or other relevant operating expenses when used, or capitalised to property, plant and equipment when installed, as appropriate, using moving weighted average method. Cost of inventories includes direct material cost and transportation expenses incurred in bringing them to the working locations. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs in power generation or selling expenses.

(l) Receivables

Loans and receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of loans and receivables is established when there is objective evidence that the Company and its subsidiaries will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amounts of the assets are reduced through the use of allowance accounts, and the amount of the provision is recognised in the consolidated income statement within 'operating expenses – others'. When a receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating cost' in the consolidated income statement.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and financial institution and other short-term highly liquid investments with original maturities of three months or less.

(n) Accounts payable and accrued liabilities

Accounts payable and accrued liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

The fair value of the liability portion of a convertible bond is determined using a market interest rate for an equivalent non-convertible bond. This amount is recorded as a liability on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in equity, net of income tax effects.

Borrowings are classified as current liabilities unless the Company and its subsidiaries have contractual or an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(p) Borrowing costs

Borrowing costs incurred for the construction for any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed and included as finance costs in the period in which they are incurred.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(q) Taxation

Value-added tax ("VAT")

Under the relevant PRC tax laws, the Company and its subsidiaries are subject to VAT. The Company and its subsidiaries are subject to output VAT levied at 17% of the Company and its subsidiaries' operating revenue, except for the output VAT of heat sales which is levied at 13% and the revenue of Hebei Datang International Huaze Hydropower Development Company Limited ("Huaze Hydropower Company") and Inner Mongolia Datang International Duolun Hydropower Multiple Development Company Limited ("Duolun Hydropower Company") which are levied at 6%. The input VAT can be used to offset the output VAT levied on operating revenue to determine the net VAT payable. Because VAT is tax on the customer and the Company and its subsidiaries collect such tax from the customers and pay such tax to the suppliers on behalf of the tax authority, VAT is not included in operating revenue or operating expenses.

Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The statutory income tax is assessed on an individual entity basis, based on each of results of operations of the Company and its subsidiaries. The commencement date of the tax holiday period of each power plant is individually determined. The income tax charges are based on assessable profit for the year and after considering deferred taxation.

Certain power plants are exempted from income tax for two years starting from the year of commercial operation, followed by a 50% reduction of the applicable tax rate for the next three years ("tax holiday").

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(q) Taxation (Continued)

Current and deferred income tax (Continued)

On 16 March 2007, the National People's Congress promulgated the "Corporate Income Tax Law of the People's Republic of China" which became effective from 1 January 2008. Domestic entities of the Company and its subsidiaries which originally enjoyed preferential tax treatments will transit to 25% gradually in five years from 1 January 2008 onwards. Domestic subsidiaries with originally applicable tax rate of 33% is subject to tax rate of 25% from 1 January 2008 onwards. Pursuant to Guo Fa [2007]39 document, starting from 1 January 2008, entities which originally enjoyed two-year tax exemption and three-year 50% reduction tax treatments, continue to follow with original tax laws, administrative regulations and relevant documents until respective expiration dates. However, those not being entitled to preferential tax treatment as a result of tax losses, the preferential period started from 2008 onwards.

The subsidiary of the Company registered in Hong Kong applies income tax rate of 17.5%.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except where the timing of the reversal of the temporary difference is controlled by the Company and its subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(q) Taxation (Continued)

Current and deferred income tax (Continued)

Deferred income tax assets and deferred income tax liabilities are offset when meeting all the conditions below:

- (1) The Company and its subsidiaries have the legal enforceable right to settle current income tax assets and current income tax liabilities;
- (2) Deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax authority of the Company and its subsidiaries.

(r) Government Grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grants will be received and the Company and its subsidiaries will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

(s) Derivative financial instruments

Derivatives are initially recognised at fair value on the date of a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument.

Derivative financial instruments that do not qualify for hedge accounting are classified as held-for-trading and carried at fair value, with changes in fair value included in the consolidated income statements. Trading derivatives are classified as a current asset or liability.

(t) Revenue and income recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the activities of the Company and its subsidiaries. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Company and its subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(t) Revenue and income recognition (Continued)

The Company and its subsidiaries recognise revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company and its subsidiaries' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company and its subsidiaries bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Sales of goods

Revenue from sales of electricity and heat represents the amount of tariffs billed for electricity and heat generated and transmitted to the respective power companies and heat supply companies.

Revenue associated with sales of coal and other goods is recognised when the title to the goods has been passed to customers, which is the date when the goods are delivered to designated locations and accepted by the customers.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(u) Employee benefits

Pension and other social obligations

The Company and its subsidiaries have various defined contribution plans in accordance with the local conditions and practices in the municipalities and provinces in which they operate. A defined contribution plan is a pension and/or other social benefits plan under which the Company and its subsidiaries pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as employee benefit expenses when they are due.

Staff housing benefits

The Company provides housing to its employees at preferential prices. The difference between the selling price and the cost of housing is considered a housing benefit to the employees and is recorded as deferred housing benefits which are amortised on a straight-line basis over the estimated average service lives of the relevant employees and included in wages and staff welfare expenses.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(u) Employee benefits (Continued)

Staff housing benefits (Continued)

During 2005 to 2007, the Company and some of its subsidiaries also provided monetary housing subsidies to their employees. These subsidies are recorded as deferred housing benefits which are amortised on a straight-line basis over the estimated service lives of the relevant employees and included in wages and staff welfare expenses.

Apart from the housing benefits and subsidies, the Company and its subsidiaries also contribute to the state-prescribed housing fund. Such costs are charged to the consolidated income statement as incurred.

(v) Lease

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor), including upfront payment made for leasehold land and land use rights, are charged to the consolidated income statement on a straight-line basis over the period of the lease.

Leases of property, plant and equipment where the Company and its subsidiaries have substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term liabilities. The interest element of the finance cost is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(w) Dividends distribution

Dividend distribution is recorded as a liability in the consolidated financial statements of the Company and its subsidiaries in the period in which they are approved by the shareholders of the Company and its subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

2. Summary of Significant Accounting Policies (Continued)

(x) Financial guarantee contracts

The Company issues financial guarantee contracts that transfer significant insurance risk. Financial guarantee contracts are those contracts that require the issuer to make specified payments to reimburse the holders for losses they incur because specified debtors fail to make payments when due in accordance with the original or modified terms of debt instruments.

At each balance sheet date, liability adequacy tests are performed to ensure the adequacy of the contract liabilities. In performing these tests, current best estimates of future contractual cash flows and related administrative expenses are used. Any deficiency is immediately charged to the consolidated income statement by establishing a provision for losses arising from these tests.

(y) Contingencies

Contingent liabilities are recognised in the consolidated financial statements when it is probable that a liability will be recognised. Where no provision is recorded, they are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognised in the consolidated financial statements unless virtually certain but disclosed when an inflow of economic benefits is probable.

3. Financial, Capital and Insurance Risks Management

The Company works out general principles for overall risk management, including management of financial risks, as well as management policies covering specific areas. In considering the importance of risks, the Company identifies and evaluates risks at head office and individual power plant level, and requires analysis and proper communication for the information collected periodically.

(a) Financial risk management

The activities of the Company and its subsidiaries expose them to a variety of financial risks including cash flow interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Company and its subsidiaries' overall risk management program focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company and its subsidiaries' financial performance.

Market risk

Cash flow interest rate risk

As the Company and its subsidiaries have no significant interest-bearing assets, the income and operating cash flows of the Company and its subsidiaries are substantially independent of changes in market interest rates.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

3. Financial, Capital and Insurance Risks Management (Continued)

(a) Financial risk management (Continued)

Market risk (Continued)

Cash flow interest rate risk (Continued)

The Company and its subsidiaries' interest rate risk arise from long-term borrowings. Borrowings issued at variable rates expose the Company and its subsidiaries to cash flow interest rate risk. The Company and its subsidiaries analyses interest rate exposures on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing.

At 31 December 2008, if interest rates on borrowings had been 50 basis points (2007: 50 basis points) higher/lower with all other variables held constant, interest expense for the year would have been Rmb 294 million (2007: Rmb 202 million) higher/lower. The range of such sensitivity disclosed above were based on the observation of the historical trend of related interest rates during the previous year under analysis.

Foreign exchange risk

Foreign exchange risk of the Company and its subsidiaries primarily arises from loans denominated in foreign currencies. As at 31 December 2008, substantially all of the Company and its subsidiaries' assets and liabilities were denominated in Rmb except for cash and bank deposits of approximately Rmb 121 million (2007: Rmb 98 million), short-term loans of approximately Rmb 683 million (2007: Rmb 22 million), long-term loans of approximately Rmb 1,662 million (2007: Rmb 2,229 million), which were denominated in USD and HKD. The fluctuation of the exchange rates of Rmb against foreign currencies could affect the Company and its subsidiaries' results of operation.

The management of the Company and its subsidiaries maintain a close look at the international foreign currency market on the changing exchange rates and takes these into consideration when investing in foreign currency deposits and loans rising.

At 31 December 2008, if Rmb had weakened/strengthened by 5% (2007: 5%) and 5% (2007: 5%) against USD and HKD with all other variables constant, foreign exchange losses/gains for the year would have been Rmb 111 million (2007: Rmb 113 million) lower/higher. The ranges of such sensitivity disclosed above were based on the observation of management on the historical trend of related exchange rates.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

3. Financial, Capital and Insurance Risks Management (Continued)

(a) Financial risk management (Continued)

Credit risk

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The management consider that the maximum exposure is reflected by the balances of cash and cash equivalents, accounts receivable and notes receivables, prepayment and other receivables and loans to subsidiaries and associates, net of provisions for impairment recognised.

Cash and cash equivalents are placed with banks and financial institutions which are regulated, including which a significant portion of cash and cash equivalents of the Company and its subsidiaries is deposited with a non-bank financial institution that is an associate company, which the Company can excise significant influence. Corresponding maximum exposures of these cash equivalents are disclosed in Note 35(ii) (t) to the financial statements.

Most of the power plants of the Company and its subsidiaries sell electricity generated to their sole customers, the power grid companies of their respective provinces or regions where the power plants operate. These power plants communicate with their individual grid companies periodically and believe that adequate provision for doubtful accounts have been made in the financial statements. Management does not expect any losses from non-performance by these power grid companies.

The concentrations of accounts receivable are disclosed in Note 18.

Regarding balances with subsidiaries, the Company and its subsidiaries can obtain the financial statements of all subsidiaries and assess the financial performance and cash flows of those subsidiaries periodically to manage the credit risk of these receivables and loans.

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company and its subsidiaries aim to maintain flexibility in funding by maintaining availability under committed credit facilities.

Management monitors the cash flow rolling forecasts of the Company and its subsidiaries which comprises the undrawn borrowing facility and cash and cash equivalents (Note 39 (b) and Note 19) available as at each month end in meeting its liabilities.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

3. Financial, Capital and Insurance Risks Management (Continued)

(a) Financial risk management (Continued)

Liquidity risk (Continued)

Financial liabilities due within 12 months are presented as the current liabilities in the balance sheet. The repayment schedules of the long-term loans and other long term liabilities are disclosed in Note 22 and Note 25.

(b) Capital risk management

The Company and its subsidiaries' objectives when managing capital are to safeguard the Company and its subsidiaries' ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company and its subsidiaries may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company and its subsidiaries monitor capital on the basis of the asset-to-liability ratio. This ratio is calculated as total liabilities divided by total assets as shown on the consolidated balance sheet. The asset-to-liability ratio of the Company and its subsidiaries as at 31 December 2008 was 80.53% (2007: 71.32%).

The increase in the asset-to-liability ratio during 2008 was primarily due to the increase of loans borrowed for constructions and acquisitions. Taking into consideration of the expected operating cash flow of the Company and its subsidiaries and the available banking facilities and their experience in refinancing short-term debts, the management believes the Company and its subsidiaries can meet their current obligations when they fall due.

(c) Insurance risk management

The Company issues financial guarantee contracts to its subsidiaries, associates and jointly controlled entities for their borrowings from banks for business development. The risk under any one financial guarantee contract is the possibility that the insured event (default of a specified debtor) occurs and the uncertainty of the amount of the resulting claims. By the nature of such financial guarantee contracts, the risk is predictable.

Experience shows credit risks from specified debtors are relatively remote. The Company maintains a close watch on the financial position and liquidity of the subsidiaries, associates and jointly controlled entities for which financial guarantees have been granted in order to mitigate such risks. The Company and its subsidiaries take all reasonable steps to ensure that they have appropriate information regarding their claim exposures. Details of financial guarantee contracts are disclosed in Note 42.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

3. Financial, Capital and Insurance Risks Management (Continued)

(d) Fair value estimation

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Company and its subsidiaries is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company and its subsidiaries use a variety of methods and make assumptions that are based on market conditions existing at each balance sheet date. Valuation techniques includes making reference to the prices used by knowledgeable and willing parties in a recent transaction, the current fair value of other financial assets that are same in substance and discounted cash flow method, etc., are used to determine fair value for available-for-sale financial assets that are not traded in active market and long-term loans.

The carrying amounts of the Company and its subsidiaries' cash and cash equivalents, receivables, other current assets, accounts payable and accrued liabilities, short-term loans and other current liabilities approximate their fair values because of the short maturity of these instruments.

The fair value of long-term loans, including current portions, of approximately Rmb 74,595 million (2007: Rmb 47,730 million) as at 31 December 2008, have been estimated by applying a discounted cash flow approach using interest rates available for comparable instruments. As at the same date, the book value of these liabilities was approximately Rmb 74,592 million (2007: Rmb 47,738 million).

Fair value estimates are made at a specific point of time and are based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

4. Critical Accounting Estimates and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company and its subsidiaries make accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

4. Critical Accounting Estimates and Judgements (Continued)

(a) Useful lives of property, plant and equipment

The management of the Company and its subsidiaries determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected wear and tear incurred during power generation. It could change significantly as a result of technical innovations on power generators. Management will adjust the estimated useful lives where useful lives vary with previously estimated lives. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount and depreciation charges of property, plant and equipment.

(b) Estimated impairment of goodwill

The Company and its subsidiaries test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 13). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of goodwill.

(c) Restraint in construction of new power plants

The ultimate approval from National Development and Reform Commission (“NDRC”) on certain of the Company and its subsidiaries’ power plants construction projects is a critical estimate and judgment of the directors. Such estimate and judgment are based on initial approval documents received as well as their understanding of the projects. Based on historical experience, the directors believe that the Company and its subsidiaries will receive final approval from NDRC on the related power plant projects. Deviation from the estimate and judgment could result in significant adjustment to the value of the property, plant and equipment.

(d) Deferred income tax assets

The recovery of deferred income tax assets depends on the probability that the future taxable profit is sufficient against temporary differences. The deviation of profit forecast will lead to the adjustment of deferred income tax assets, therefore the profit is probable be affected.

(e) Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment will be recognised as the amount by which the asset’s carrying value amount exceeds its recoverable amount. The estimation based on current experience may be different from the result of the next accounting period and may lead to significant adjustment on the book value of property, plant and equipment.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

5 Change of Accounting Policies and Correction of Prior Year Errors

(a) Change of Accounting Policies

In 2007, the Company and its subsidiaries accounted for investments in jointly controlled entities under proportionate consolidation method, which is consistent with the accounting policy under PRC GAAP. In 2008, according to the CAS Interpretation No.2 issued by the Ministry of Finance of the PRC, jointly controlled entities are no longer allowed to be proportionately consolidated and only the equity method is allowed when preparing consolidated financial statements. Since the Company is listed in both the PRC and Hong Kong and publishes financial statements under both PRC GAAP and IFRS simultaneously, to keep the comparability of the financial information produced under PRC GAAP and IFRS, the directors changed the accounting policy of jointly controlled entities from proportionate consolidation into equity method, which has been retrospectively applied.

Details of the effect of this change of accounting policies on the Company and its subsidiaries' consolidated financial statements for the year ended 31 December 2008 and 2007 are as follows:

	As at 31 December	
	2008	2007
Reduction in non-current assets	(2,389,885)	(1,709,887)
Reduction in current assets	(959,620)	(317,649)
Reduction in total assets	(3,349,505)	(2,027,536)
Reduction in non-current liabilities	(968,176)	(762,426)
Reduction in current liabilities	(2,372,487)	(1,206,768)
Reduction in total liabilities	(3,340,663)	(1,969,194)
Reduction in minority interest	(8,842)	(58,342)
Reduction in total equity	(8,842)	(58,342)
	2008	2007
Reduction in operating revenue	(809,271)	(66,516)
Reduction in operating cost	(551,882)	(84,346)
Reduction in cash and cash equivalents	(138,527)	(198,471)

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

5 Change of Accounting Policies and Correction of Prior Year Errors (Continued)

(b) Correction of Prior Year Errors

- (i) In year 2008, an error was discovered in relation to the calculation and approval of certain provision of supplemental staff pension, which has been reversed. Details of the effect of the correction of prior year error are as follows:

	As at 31 December 2007	
	Company and its subsidiaries	Company
Assets		
Reduction of plant, property and equipment	(17,458)	(7,012)
Equity and Liabilities		
Increase of taxes payable	52,704	38,952
Reduction of accounts payable and accrued liabilities	(181,958)	(110,552)
Increase of reserve	6,459	6,459
Increase of retained earnings	91,273	58,129
Increase of minority interests	14,064	–
	2007	
	Company and its subsidiaries	Company
Reduction of operating costs	(164,500)	(103,540)
Increase of taxation	52,704	38,952
Increase of profit for the year	111,796	64,588
Increase of profit (attributable to minority interest)	14,064	–
Increase of transfer to statutory surplus reserve	6,459	6,459
Increase of earnings per share		
– Basic (Rmb)	0.01	0.01
– Diluted (Rmb)	0.01	0.01

- (ii) During the year ended 31 December 2008, an error was discovered whereby an associate engaged in the coal mining business accrued in 2007 certain provisions that did not meet the definition of liability under IFRS. This resulted in an under-statement of the share in the profit of this associate by Rmb 60,441,000 in the Company and its subsidiaries' consolidated financial statements for the year ended 31 December 2007. This error was corrected in 2008, and the 2007 comparative figures were retrospectively adjusted. As a result of correcting this error, the balance of investment in associates and the Company and its subsidiaries' retained earnings as at 31 December 2007, together with the Company and its subsidiaries' net profit after tax for the year then ended, have increased by approximately Rmb 60,441,000 with no material impact on the earnings per share for the year.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

6. Property, Plant and Equipment

	Company and its subsidiaries					Total
	Dam	Buildings	Electricity utility plants in service	Transportation facilities, computer and others	Construction-in-progress	
Cost						
At 1 January 2007	852,467	7,851,103	60,299,463	2,028,808	22,126,269	93,158,110
Reclassification	–	666,597	(661,404)	(5,193)	–	–
Transfer in/(out)	1,349,342	1,367,412	2,097,837	270,008	(5,084,599)	–
Additions	–	69,407	210,232	155,329	26,603,402	27,038,370
Disposals	–	(3,556)	(149,746)	(22,773)	(56,231)	(232,306)
Acquisition of a subsidiary	–	283,097	309,660	205,109	406,400	1,204,266
At 31 December 2007	2,201,809	10,234,060	62,106,042	2,631,288	43,995,241	121,168,440
Reclassification	244,115	(242,599)	(48,111)	46,595	–	–
Transfer in/(out)	3,186,400	1,534,367	17,947,373	1,000,530	(23,677,251)	(8,581)
Sale for lease back	(449,721)	–	(3,539,595)	–	(958,560)	(4,947,876)
Finance Lease	432,580	–	3,208,786	–	958,560	4,599,926
Additions	–	11,220	7,390	151,360	38,332,570	38,502,540
Disposals	–	(6,061)	(736,768)	(9,632)	–	(752,461)
Acquisition of subsidiaries (Note 40)	26,179	8,854	2,106,559	22,509	130,304	2,294,405
Transfer to disposal group classified as held for sale (Note 29)	–	–	–	(5,259)	(113,490)	(118,749)
At 31 December 2008	5,641,362	11,539,841	81,051,676	3,837,391	58,667,374	160,737,644

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

6. Property, Plant and Equipment (Continued)

	Company and its subsidiaries					Total
	Dam	Buildings	Electricity utility plants in service	Transportation facilities, computer and others	Construction-in-progress	
Accumulated depreciation						
At 1 January 2007	12,432	483,200	15,359,017	442,831	–	16,297,480
Reclassification	–	(26,510)	38,117	(11,607)	–	–
Charge for the year	34,571	475,751	4,259,252	166,348	–	4,935,922
Written back on disposals	–	(4,645)	(74,168)	(17,298)	–	(96,111)
Acquisition of a subsidiary	–	27,869	9,653	25,775	–	63,297
At 31 December 2007	47,003	955,665	19,591,871	606,049	–	21,200,588
Reclassification	23,059	(24,582)	(1,829)	3,352	–	–
Charge for the year	88,435	597,069	5,183,880	320,068	–	6,189,452
Written back on disposals	–	(290)	(55,216)	(1,874)	–	(57,380)
Acquisition of subsidiaries (Note 40)	–	21	4,568	1,292	–	5,881
Transfer to disposal group classified as held for sale (Note 29)	–	–	–	(877)	–	(877)
Sale for lease back	(19,721)	–	(428,901)	–	–	(448,622)
At 31 December 2008	138,776	1,527,883	24,294,373	928,010	–	26,889,042
Impairment						
At 1 January 2007	–	–	–	–	–	–
Charge for the year	–	–	–	–	–	–
At 31 December 2007	–	–	–	–	–	–
Charge for the year	–	–	21,120	–	–	21,120
At 31 December 2008	–	–	21,120	–	–	21,120
Net book value						
At 31 December 2008	5,502,586	10,011,958	56,736,183	2,909,381	58,667,374	133,827,482
At 31 December 2007	2,154,806	9,278,395	42,514,171	2,025,239	43,995,241	99,967,852
At 1 January 2007	840,035	7,367,903	44,940,446	1,585,977	22,126,269	76,860,630

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

6. Property, Plant and Equipment (Continued)

	Company				Total
	Buildings	Electricity utility plants in service	Transportation facilities, computer and others	Construction-in-progress	
Cost					
At 1 January 2007	2,465,216	21,779,843	530,013	7,206,733	31,981,805
Reclassification	(39,452)	37,700	1,752	–	–
Sold to subsidiaries	(1,550,443)	(5,850,343)	(19,736)	(443,804)	(7,864,326)
Transfer in/(out)	54,934	538,300	17,564	(610,798)	–
Additions	13,974	35,244	106,971	9,041,448	9,197,637
Disposals	(3,232)	(76,171)	(20,100)	–	(99,503)
At 31 December 2007	940,997	16,464,573	616,464	15,193,579	33,215,613
Reclassification	–	2,094	(2,094)	–	–
Sold to subsidiaries	–	–	(6,475)	(1,927,715)	(1,934,190)
Transfer in/(out)	467,807	5,609,750	19,882	(6,097,439)	–
Additions	11,220	1,797	84,183	14,973,135	15,070,335
Disposals	–	(11,117)	(2,355)	–	(13,472)
At 31 December 2008	1,420,024	22,067,097	709,605	22,141,560	46,338,286
Accumulated depreciation					
At 1 January 2007	212,230	9,708,445	318,029	–	10,238,704
Reclassification	(3,909)	3,735	174	–	–
Sold to subsidiaries	(79,860)	(363,259)	(5,340)	–	(448,459)
Charge for the year	135,530	1,012,753	44,548	–	1,192,831
Written back on disposals	(966)	(63,738)	(11,736)	–	(76,440)
At 31 December 2007	263,025	10,297,936	345,675	–	10,906,636
Reclassification	–	207	(207)	–	–
Sold to subsidiaries	–	–	(3,969)	–	(3,969)
Charge for the year	132,637	930,865	53,812	–	1,117,314
Written back on disposals	–	(3,014)	(1,823)	–	(4,837)
At 31 December 2008	395,662	11,225,994	393,488	–	12,015,144

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

6. Property, Plant and Equipment (Continued)

	Company				Total
	Buildings	Electricity utility plants in service	Transportation facilities, computer and others	Construction-in-progress	
Impairment					
At 1 January 2007	-	-	-	-	-
Charge for the year	-	-	-	-	-
At 31 December 2007	-	-	-	-	-
Charge for the year	-	-	21,120	-	21,120
At 31 December 2008	-	-	21,120	-	21,120
Net book value					
At 31 December 2008	1,024,362	10,841,103	294,997	22,141,560	34,302,022
At 31 December 2007	677,972	6,166,637	270,789	15,193,579	22,308,977
At 1 January 2007	2,252,986	12,071,398	211,984	7,206,733	21,743,101

Interest expense of approximately Rmb 2,764 million (2007: approximately Rmb 1,513 million) arising from borrowings entered into for the construction of property, plant and equipment were capitalised during the year and are included in 'additions' in property, plant and equipment. Average capitalisation rate was 6.71% per annum in 2008 (2007: 5.97%), representing the average interest expense of the loans used to finance the projects.

Equipment includes the following amounts where the Company and its subsidiaries are the lessees under finance leases:

Cost – capitalised finance leases	4,599,926
Accumulated depreciation	(252,200)
Net book value	4,347,726

As at
31 December
2008

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

6. Property, Plant and Equipment (Continued)

Pursuant to Document No. 32 issued by NDRC in November 2004, the State government has tightened its control over the construction of power plants that have not received the relevant government approvals. The directors of the Company and its subsidiaries have assessed the approval requirements of Document No. 32 and are of the opinion that their power plants under construction that are affected by Document No. 32 will ultimately obtain the approvals from NDRC.

7. Investments in Subsidiaries

	Company	
	2008	2007
Beginning of year	6,503,628	4,759,796
Addition of investments	3,784,081	1,783,832
Withdraw of investments	(98,778)	(40,000)
Transfer to disposal group classified as held for sale (Note 29)	(545,000)	—
End of year	9,643,931	6,503,628

As at 31 December 2008, the Company directly and indirectly held equity interests in the following subsidiaries, all of which are unlisted and limited liability companies and mostly registered in the PRC:

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Directly held				
Inner Mongolia Datang International Tuoketuo Power Generation Company Limited ("Tuoketuo Power Company")	17 November 1995	1,714,020	60%	Power generation
Jiangxi Datang International Xinyu Power Generation Company Limited ("Xinyu Power Company")	16 June 1997	343,430	100%	Power generation
Tianjin Datang International Panshan Power Generation Company Limited ("Panshan Power Company")	6 August 1997	831,253	75%	Power generation

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

7. Investments in Subsidiaries (Continued)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Huaze Hydropower Company	29 July 1998	59,162	90.43%	Hydropower generation
Shanxi Datang International Shentou Power Generation Company Limited ("Shentou Power Company")	8 December 1998	749,000	60%	Power generation
Shanxi Datang International Yungang Thermal Power Company Limited ("Yungang Thermal Power Company")	14 July 2000	250,000	100%	Power generation and heat supply
Yunnan Datang International Honghe Power Generation Company Limited ("Honghe Power Company")	27 April 2001	414,550	70%	Power generation
Gansu Datang International Liancheng Power Generation Company Limited ("Liancheng Power Company")	26 August 2001	275,500	55%	Power generation
Hebei Datang International Tangshan Thermal Power Company Limited ("Tangshan Thermal Power Company")	21 February 2002	380,264	80%	Power generation and heat supply
Yunnan Datang International Nalan Hydropower Development Company Limited ("Nalan Hydropower Company")	30 October 2002	173,370	51%	Hydropower generation
Yunnan Datang International Lixianjiang Hydropower Development Company Limited ("Lixianjiang Hydropower Company")	8 November 2002	260,000	70%	Hydropower generation
Shanxi Datang International Yuncheng Power Generation Company Limited ("Yuncheng Power Company")	28 March 2003	162,125	80%	Power generation
Inner Mongolia Datang International Zhunge'er Mining Company Limited ("Zhunge'er Mining Company")(a)	14 April 2003	50,000	52%	Coal mining (pre-construction)
Chongqing Datang Internatioanal Pengshui Hydropower Development Company Limited ("Pengshui Hydropower Company")(b)	28 August 2003	822,250	40%	Hydropower generation

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

7. Investments in Subsidiaries (Continued)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Jiangsu Datang International Lusigang Power Generation Company Limited ("Lusigang Power Company")(c)	18 September 2003	282,222	55%	Power generation (under construction)
Inner Mongolia Datang International Hohhot Thermal Power Generation Company Limited ("Hohhot Thermal Company") (d)	8 November 2003	60,000	51%	Power generation and heat supply
Guangdong Datang Internatinal Chaozhou Power Generation Company Limited ("Chaozhou Power Company")	15 November 2003	180,000	75%	Power generation
Fujian Datang International Ningde Power Generation Company Limited ("Ningde Power Company")	2 December 2003	370,000	51%	Power generation
Datang International (Hong Kong) Limited ("Datang Hong Kong")	3 December 2004	USD2,900,000	100%	Import of power related fuel and equipment
Shanxi Zhongqiang Trade Company Limited ("Zhongqiang Company")(e)	28 December 2004	19,230	51%	Coal mining (pre-construction)
Chongqing Datang International Wulong Hydropower Development Company Limited ("Wulong Hydropower Company")	24 January 2005	50,000	51%	Hydropower generation (under construction)
Yunnan Datang International Wenshan Hydropower Development Company Limited ("Wenshan Hydropower Company")	8 April 2005	60,000	60%	Hydropower generation (under construction)
Hebei Datang International Wangtan Power Generation Company Limited	17 January 2006	450,000	70%	Power generation
Chongqing Datang International Shizhu Power Generation Company Limited ("Shizhu Power Company")	13 March 2006	10,000	70%	Power generation (under construction)
Duolun Hydropower Company	28 March 2006	28,520	51%	Hydropower generation and water supply
Sichuan Datang International Ganzi Hydropower Developemet Company Limited ("Ganzi Hydropower Company")	3 July 2006	50,000	80%	Hydropower generation (under construction)

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

7. Investments in Subsidiaries (Continued)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Datang International Chemical Technology Research Institute Company Limited ("Chemical Technology Research Institute")	17 August 2006	50,000	100%	Coal chemistry related consulting service
Beijing Datang Fuel Company Limited ("Fuel Company")	8 December 2006	514,650	100%	Trading of coal
Inner Mongolia Datang International Zhuozi Wind Power Company Limited ("Zhuozi Wind Power Company")	21 December 2006	20,000	100%	Wind power generation
Datang International Hydropower Development Company Limited	19 April 2007	50,000	100%	Hydropower generation, new energy development
Inner Mongolia Datang International Tuoketuo II Power Generation Company Limited ("Tuoketuo II Power Company")(f)	30 April 2007	100,000	40%	Power plant construction and operation
Zhejiang Datang Wushashan Power Generation Company Limited ("Wushashan Power Company")	29 May 2007	1,700,000	51%	Power generation
Yunnan Datang International Hengjiang Hydropower Development Company Limited	25 July 2007	2,000	70%	Hydropower development (under construction)
Inner Mongolia Datang International Renewable Energy Resource Development Company Limited ("Renewable Energy Resource Development Company") (g)	26 July 2007	10,000	26%	Production and sale of alumina (under construction)
Inner Mongolia Datang International Xilinhaote Mining Company Limited ("Xilinhaote Mining Company")	23 August 2007	100,000	100%	Coal mining (under construction)
Yunnan Datang International Electric Power Company Limited	31 August 2007	50,000	100%	Power plant construction and operation
Jiangxi Datang International Fuzhou Power Generation Company Limited ("Fuzhou Power Company")	23 May 2008	50,000	100%	Power generation (under construction)

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

7. Investments in Subsidiaries (Continued)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Shanxi Datang International Zuoyun Wind Power Generation Company Limited	19 August 2008	100,000	100%	Wind power generation (under construction)
Hebei Datang International Zhangjiakou Thermal Power Company Limited ("Zhangjiakou Thermal Company")	8 September 2008	100,000	100%	Power generation and heat supply (under construction)
Shandong Datang International Dongying Wind Power Generation Company Limited	12 September 2008	50,000	100%	Wind power generation (under construction)
Chongqing Datang International Wulongxingshun Wind Power Company Limited	31 October 2008	20,000	100%	Wind power generation (under construction)
Liaoning Datang International Jingzhou Thermal Power Generation Limited ("Jingzhou Thermal Company")	13 November 2008	250,000	100%	Power generation and heat supply (under construction)
Indirectly held				
True Busy Electric Power Company Limited ("True Busy Company") (h)	26 January 1999	USD128,000	90%	Investment holding
Qinghai Datang International Zhiganglaka Hydropower Copmany Limited ("Zhiganglaka Company")	21 January 2002	380,000	100%	Hydropower generation
Qian'an Datang Thermal Power Company Limited ("Qian'an Thermal Power Company")(i)	15 November 2005	20,000	36%	Power generation
Inner Mongolia Datang Fuel Company Limited ("Inner Mongolia Datang Fuel Company")	25 July 2007	10,000	100%	Coal sales
Jiangsu Datang shipping Company Limited ("Jiangsu Datang Shipping Company")	6 September 2007	100,000	73.5%	Shipping
Dongneng (Beijing) Technology Development Company Limited ("Dongneng Company")	20 February 2008	USD1,500,000	100%	Consulting services relating to the power industry

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

7. Investments in Subsidiaries (Continued)

- (a) Zhunge'er Mining Company was a newly acquired subsidiary of the Company in 2008 (Note 40 (b)).
- (b) On 20 July 2006, the Company entered into an agreement with one of the shareholders of Pengshui Hydropower Company who owned 12% of the equity interest of Pengshui Hydropower Company. Pursuant to this agreement, that shareholder will act in concert with the Company in the financial and operation decision making of Pengshui Hydropower Company. Hence, the Company obtained effective control over Pengshui Hydropower Company, which has been accounted for as a subsidiary of the Company since 20 July 2006.
- (c) The Company entered into agreements with China Datang on 2 April 2008 to sell 35% of the equity interest in Lusigang Power Company. Upon completion of the sale of interest, the Company's share in Lusigang Power Company reduced to 55%.
- (d) On 15 January 2007, the Company purchased 51% share of Hohhot Thermal Company from Tuoketuo Yunlong Energy Investment Co., Ltd. and accounted for this company as a jointly controlled entity. On 19 October 2007, the Company entered into an agreement with the other shareholder of Hohhot Thermal Company, Beijing Zhongdian Huaze Investment Co., Ltd. ("Zhongdian Huaze"), who held 49% of the equity interest of Hohhot Thermal Company. Pursuant to this agreement, Zhongdian Huaze will act in concert with the Company in the financial and operation decision making of Hohhot Thermal Company. Therefore the Company obtained effective control over Hohhot Thermal Company, which has been accounted for as a subsidiary since 19 October 2007.
- (e) Zhongqiang Company was a newly acquired subsidiary of the Company in 2008 (Note 40 (c)).
- (f) On 6 September 2006, the Company entered into an agreement with China Datang, who held 20% of the equity interest of Tuoketuo II Power Company. Pursuant to this agreement, China Datang will act in concert with the Company in the financial and operation decision making of Tuoketuo II Power Company. Therefore the Company obtained effective control over Tuoketuo II Power Company, which has been accounted for as a subsidiary onwards.
- (g) The Company entered into an agreement with one shareholder of Renewable Energy Resource Development Company, who held 25% of the equity interest of Renewable Energy Resource Development Company. Pursuant to this agreement, the shareholder will act in concert with the Company in the financial and operation decision making of Renewable Energy Resource Development Company. Therefore the Company obtained effective control over Renewable Energy Resource Development Company, which has been accounted for as a subsidiary since 2007.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

7. Investments in Subsidiaries (Continued)

- (h) True Busy Company was a newly acquired subsidiary of Datang Hong Kong, a subsidiary of the Company (Note 40 (a)).
- (i) Qian'an Thermal Power Company was an associate of Tangshan Thermal Power Company in 2007. On 1 January 2008, Tangshan Thermal Power Company entered into an agreement with one shareholder of Qian'an Thermal Power Company, who held 18% of the equity interest of Qian'an Thermal Power Company. Pursuant to this agreement, the shareholder will act in concert with Qian'an Thermal Power Company in the financial and operation decision making of this company. Therefore Tangshan Thermal Power Company obtained effective control over Qian'an Thermal Power Company, which has been accounted for as a subsidiary since 1 January 2008 (Note 40 (d)).

Loans to subsidiaries

As at 31 December 2008 and 2007, loans to subsidiaries are unsecured interest bearing, denominated in Rmb or USD and repayable in 3 years (Note 14 and Note 16).

8. Investments in Jointly Controlled Entities

	Company and its subsidiaries	
	2008	2007
Beginning of year	988,795	184,790
Addition of investments	370,325	738,677
Conversion from an associate to a jointly controlled entity	–	98,000
Share of loss	(57,278)	(32,672)
Other equity movement – other reserve	255	–
End of year	1,302,097	988,795

	Company	
	2008	2007
Beginning of year	996,501	200,000
Addition of investments	370,325	698,501
Conversion from an associate to a jointly controlled entity	–	98,000
End of year	1,366,826	996,501

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

8. Investments in Jointly Controlled Entities (Continued)

As at 31 December 2008, the Company directly and indirectly held equity interests in the following jointly controlled entities, which are all unlisted limited liability companies established and operated in the PRC:

Company name	Date of establishment	Registered capital	Attributable interest		Principal activities
			direct	indirect	
Kailuan (Group) Yuzhou Mining Company Limited ("Yuzhou Mining Company")	26 March 1998	768,650	34%	15%	Coal mining and sales
Inner Mongolia Huineng Changtan Coal Mining Company Limited ("Changtan Company")	15 September 2005	50,000	40%	–	Coal mining and sales (pre-construction)
Hebei Yuzhou Energy Multiple Development Company Limited ("Yuzhou Energy Company")	29 September 2005	825,023	50%	–	Power generation (pre-construction) and investment in a railway company and a coal mining company
Fujian Ningde Nuclear Power Company Limited ("Ningde Nuclear Power Company")	23 March 2006	1,120,000	44%	–	Nuclear power plant investment, construction and operation (under construction)

The gross amounts of operating result, the assets and liabilities of the jointly controlled entities of the Company and its subsidiaries are as follows:

	2008 Unaudited	2007 Unaudited
Assets	10,268,474	6,269,552
Liabilities	7,285,067	4,011,122
Revenues	1,649,694	453,763
Loss for the year	(105,376)	(128,868)

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

9. Investments in Associates

	Company and its subsidiaries	
	2008	2007
Beginning of year	1,402,347	857,421
Addition of investments	614,580	121,110
Share of profit	427,796	168,834
Other equity movement: available-for-sale reserve	(343,107)	355,252
Dividends	(47,908)	(2,270)
Conversion from an associate to a jointly controlled entity	–	(98,000)
Conversion from an associate to a subsidiary (Note 7(i))	(3,315)	–
<u>End of year</u>	<u>2,050,393</u>	<u>1,402,347</u>

	Company	
	2008	2007
Beginning of year	686,802	708,692
Addition of investments	614,580	76,110
Conversion from an associate to a jointly controlled entity	–	(98,000)
<u>End of year</u>	<u>1,301,382</u>	<u>686,802</u>

The gross amounts of results, assets and liabilities of the associates of the Company and its subsidiaries are as follows:

	2008	2007
	Unaudited	Unaudited
Assets	34,236,806	22,070,456
Liabilities	27,303,084	17,305,314
Revenue	6,344,278	2,706,560
Profit for the year	1,643,077	527,361

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

9. Investments in Associates (Continued)

As at 31 December 2008, the Company and its subsidiaries held equity interests in the following associates, all of which are unlisted and limited liability companies established and operated in the PRC except Macro Technologies Inc. (Vietnam) Limited, which is established and operated in Vietnam:

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Directly held				
China Datang Group Finance Company Limited ("Datang Finance")	28 November 1984	500,000	20%	Financial services
North China Electric Power Research Institute Company Limited ("NCEPR")	7 December 2000	100,000	30%	Power related technology services
Beijing Texin Datang Heat Company Limited ("Datang Texin")	27 April 2002	172,800	49%	Heat supply
Ningxia Datang International Daba Power Generation Company Limited ("Daba Power Company")	31 October 2003	40,000	45%	Power generation (under construction)
Tongfang Investment Company Limited	16 June 2004	550,000	36.36%	Project investment and management
Tongmei Datang Tashan Coal Mine Company Limited ("Tashan Coal Mine")	15 July 2004	385,790	28%	Coal mining
Tangshan Huaxia Datang Power Fuel Company Limited ("Huaxia Datang")	10 August 2004	20,000	30%	Trading of power fuel
Tongmei Datang Tashan Power Generation Company Limited ("Tashan Power Company")	10 October 2006	160,000	40%	Power generation
Inner Mongolia Datang Tongfang Silicon and Aluminium Technology Company Limited ("Tongfang Silicon and Aluminium")	26 July 2007	10,000	26%	Development and production of silicon and aluminium alloy

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

9. Investments in Associates (Continued)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Yunnan Datang International Deqin Hydropower Development Company Limited ("Deqin Hydropower")	11 October 2007	2,000	40%	Hydropower construction and operation (pre-construction)
Inner Mongolia Bazhu Railway Company Limited ("Bazhu Railway")	28 September 2008	20,000	20%	Railway and highway Management (pre-construction)
Indirectly held				
Macro Technologies Inc. (Vietnam) Limited	26 September 2002	360	35%	Technology service related power generation
COSCO Datang Shipping Company Limited ("COSCO Datang")	19 July 2007	100,000	45%	Shipping

10. Available-for-sale Investments

	Company and its subsidiaries		Company	
	2008	2007	2008	2007
Beginning of year	4,733,764	1,774,184	4,650,431	1,700,076
Acquisition	223,416	9,225	–	–
Addition of investments	8,500	17,000	208,500	17,000
Revaluation (losses)gains	(2,899,860)	2,933,355	(2,899,860)	2,933,355
Disposals	(1,389,971)	–	(1,389,671)	–
End of year	675,849	4,733,764	569,400	4,650,431

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

10. Available-for-sale Investments (Continued)

Company and its subsidiaries	At 31 December 2007	Acquisition	Addition of investments	Revaluation losses	Disposals	At 31 December 2008	Principle activities
China Continent Property And Casualty Insurance Company Limited ("CCPC") (a)	103,000	-	-	-	-	103,000	Property insurance
Daqin Railway Company Limited ("Daqin Railway") (b)	4,289,531	-	-	(2,899,860)	(1,389,671)	-	Railway transportation
Tanggang Railway Company Limited ("Tanggang Railway") (c)	240,000	-	-	-	-	240,000	Railway transportation
Tongmei Thermal Power Company Limited (d)	69,714	-	-	-	-	69,714	Power generation
Mengji Railway Company Limited ("Mengji Railway") (e)	-	180,000	-	-	-	180,000	Railway transportation (under construction)
Inner Mongolia Xiwu Railway Company Limited ("Xiwu Railway")	-	20,000	-	-	-	20,000	Railway transportation (under construction)
Others	31,519	23,416	8,500	-	(300)	63,135	
Total	4,733,764	223,416	8,500	(2,899,860)	(1,389,971)	675,849	

- (a) This represents a 5.81% unlisted equity investment in CCPC (2007: 5.81%) directly held by the Company.
- (b) As at 31 December 2007, the Company held 167,429,000 A shares of Daqin Railway, representing 1.29% of Daqin Railway's issued shares. By 31 December 2008, the Company sold all Daqin Railway's shares. Gain from this transaction amounted to approximately Rmb 893,522,000.
- (c) This represents a 14.97% unlisted equity investment held by the Company (2007: 14.97%).
- (d) This represents a 14% unlisted equity investment held by Yungang Thermal Power Company, a subsidiary of the Company.
- (e) This represents a 9% unlisted equity interest acquired by the Company in 2008.

Except for the investment in Daqin Railway, all other investments do not have quoted market prices in an active market. Based on the limited financial information regarding these investments available to the Company and its subsidiaries, the directors are of the opinion that there are no appropriate methods to reliably measure their fair values. Accordingly, these investments are stated at cost and are subject to review for impairment loss.

There were no provisions for impairment on available-for-sale investments for the years ended 31 December 2008 and 2007.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

11. Land Use Rights

Land use rights represent the Company and its subsidiaries' prepayments for the leasehold land located in the PRC which are held on leases between 36 years to 70 years. The movement is as follows:

	Company and its subsidiaries	Company
At 1 January 2007		
Cost	697,482	292,501
Accumulated amortisation	<u>(72,179)</u>	<u>(68,654)</u>
Net book value	<u>625,303</u>	<u>223,847</u>
Year ended 31 December 2007		
Opening net book value	625,303	223,847
Addition	201,239	113,722
Amortisation charge	<u>(19,837)</u>	<u>(6,370)</u>
Closing net book value	<u>806,705</u>	<u>331,199</u>
At 31 December 2007		
Cost	898,721	406,223
Accumulated amortisation	<u>(92,016)</u>	<u>(75,024)</u>
Net book value	<u>806,705</u>	<u>331,199</u>
Year ended 31 December 2008		
Opening net book value	806,705	331,199
Addition	443,437	219,782
Amortisation charge	<u>(18,820)</u>	<u>(8,002)</u>
Closing net book value	<u>1,231,322</u>	<u>542,979</u>
At 31 December 2008		
Cost	1,342,158	626,005
Accumulated amortisation	<u>(110,836)</u>	<u>(83,026)</u>
Net book value	<u>1,231,322</u>	<u>542,979</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

11. Land Use Rights (Continued)

	As at 31 December	
	2008	2007
Company and its subsidiaries		
Outside of Hong Kong, held on:		
Leases between 10 to 50 years	1,028,668	781,428
Leases over 50 years	202,654	25,277
	<u>1,231,322</u>	<u>806,705</u>

As at 31 December 2008, land use rights amounted to Rmb 172,249,000 of Xinyu Power Company is of indefinite useful life therefore not amortised (2007: nil).

The recoverable amount of Xinyu Power Company, which is considered as one single cash generating unit, is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. Xinyu Power Company expects cash flows beyond the five-year period will be similar to that of the fifth year based on existing production capacity.

Pre-tax discount rate used for value-in-use calculations is 8.10%.

Key assumptions used for value-in-use calculations include the expected tariff rates, demands of electricity in specific regions where the power plant is located and fuel cost. Management determined these key assumptions based on past performance and its expectations on market development. The discount rate used is pre-tax and reflects specific risks relating to Xinyu Power Company.

Based on the assessments, the directors believe that there is no impairment on the land use rights with indefinite useful life of Xinyu Power Company.

12. Deferred Housing Benefits

Pursuant to the "Proposal on Further Reform of Housing Policy in Urban Areas" of the State and the implementation schemes for staff quarters issued by the relevant provincial and municipal governments, the Company implemented a scheme for selling staff quarters in 1999. Under the scheme, the Company provides housing benefits to its staff to buy staff quarters from the Company at preferential prices. The offer price is calculated based on their length of service and position pursuant to the prevailing local regulations. The deferred housing benefits represent the difference between the net book value of the staff quarters sold and the proceeds collected from the employees, and are amortised over the remaining average service life of the relevant employees.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

12. Deferred Housing Benefits (Continued)

During 2005 to 2008, the Company and some of its subsidiaries carried out another housing benefit scheme – “Monetary Housing Benefit Scheme” in accordance with the approval from Housing Reform Office of the local government. Under the Monetary Housing Benefit Scheme, the Company and its subsidiaries provided monetary housing subsidies to those employees whose houses did not meet the standard they should have enjoyed based on the duration of service and their posts and ranks. There is no such subsidy payment in year 2008(2007: Rmb 43,875,000). The benefits was amortised over the shorter of a 10-year period or the residual service period prior to their retirements.

	Company and its subsidiaries	
	2008	2007
Cost		
Beginning of year	662,532	618,657
Addition	—	43,875
End of year	662,532	662,532
Accumulated amortisation		
Beginning of year	(401,587)	(318,425)
Charge for the year	(67,476)	(83,162)
End of year	(469,063)	(401,587)
Net book value		
End of year	193,469	260,945
Beginning of year	260,945	300,232

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

12. Deferred Housing Benefits (Continued)

	Company	
	2008	2007
Cost		
Beginning of year	454,630	454,630
Addition	—	—
End of year	454,630	454,630
Accumulated amortisation		
Beginning of year	(362,456)	(300,850)
Charge for the year	(46,093)	(61,606)
End of year	(408,549)	(362,456)
Net book value		
End of year	46,081	92,174
Beginning of year	92,174	153,780

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

13. Intangible Assets

	Company and its subsidiaries					Total
	Goodwill	Mining rights	Resource use rights	Technology know-how	Computer software	
Year ended						
31 December 2007						
Beginning of year	33,561	–	23,693	–	14,445	71,699
Additions	105,263	–	2,113	–	20,843	128,219
Amortisation for the year	–	–	(3,006)	–	(6,400)	(9,406)
End of year	138,824	–	22,800	–	28,888	190,512
At 31 December 2007						
Cost	138,824	–	28,646	–	39,272	206,742
Accumulated amortisation	–	–	(5,846)	–	(10,384)	(16,230)
Net book amount	138,824	–	22,800	–	28,888	190,512
Year ended						
31 December 2008						
Beginning of year	138,824	–	22,800	–	28,888	190,512
Acquisition of subsidiaries	477,684	1,345,448	–	–	844	1,823,976
Transfer from						
construction-in-progress	–	–	–	–	8,581	8,581
Additions	–	90,000	–	554,156	6,361	650,517
Amortisation for the year	–	–	(3,665)	–	(9,922)	(13,587)
Transfer to disposal group classified as held for sale (Note 29)	(83,712)	(545,129)	–	–	–	(628,841)
End of year	532,796	890,319	19,135	554,156	34,752	2,031,158
At 31 December 2008						
Cost	532,796	890,319	28,646	554,156	55,058	2,060,975
Accumulated amortisation	–	–	(9,511)	–	(20,306)	(29,817)
Net book value	532,796	890,319	19,135	554,156	34,752	2,031,158

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

13. Intangible Assets (Continued)

	Company			Total
	Goodwill	Technology know-how	Computer software	
Year ended 31 December 2007				
Beginning of year	33,561	–	–	33,561
Additions	–	–	7,002	7,002
Amortisation for the year	–	–	(1,670)	(1,670)
End of year	33,561	–	5,332	38,893
At 31 December 2007				
Cost	33,561	–	7,002	40,563
Accumulated amortisation	–	–	(1,670)	(1,670)
Net book amount	33,561	–	5,332	38,893
Year ended 31 December 2008				
Beginning of year	33,561	–	5,332	38,893
Additions	–	554,156	450	554,606
Amortisation for the year	–	–	(5,555)	(5,555)
End of year	33,561	554,156	227	587,944
At 31 December 2008				
Cost	33,561	554,156	7,452	595,169
Accumulated amortisation	–	–	(7,225)	(7,225)
Net book value	33,561	554,156	227	587,944

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

13. Intangible Assets (Continued)

Impairment tests for goodwill

Goodwill is allocated to the cash-generating units of the Company and its subsidiaries identified according to their operations in different regions.

The movement of goodwill is further allocated based on the individual cash-generating unit, as follows:

	At 31 December 2007	Addition	Transfer to held for sale (Note 29)	At 31 December 2008
Zhangjiakou Power Plant No. 2 generator	33,561	–	–	33,561
Hohhot Thermal Company (Note 40)	902	–	–	902
Xinyu Power Company (Note 40)	104,361	–	–	104,361
True Busy Company (Note 40)	–	273,795	–	273,795
Zhunge'er Mining Company (Note 40)	–	120,177	–	120,177
Zhongqiang Company (Note 40)	–	83,712	(83,712)	–
	<u>138,824</u>	<u>477,684</u>	<u>(83,712)</u>	<u>532,796</u>

The recoverable amount of goodwill is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. These companies expect cash flows beyond the five-year period will be similar to that of the fifth year based on existing production capacity.

Pre-tax discount rates used for value-in-use calculations range from 7.8% to 13.3%.

Key assumptions used for value-in-use calculations of power generation units include the expected tariff rates, demands of electricity in specific regions where these power plants are located and fuel cost. Key assumptions used for value-in-use calculations of coal mining units include the expected coal price and annual production ability. Management determined these key assumptions based on past performance and its expectations on market development. The discount rates used are pre-tax and reflect specific risks relating to the Company.

Based on the assessments, the directors believe that there is no impairment on the goodwill as at 31 December 2007 and 2008.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

14. Long-term Entrusted Loans to Subsidiaries and Associates (Continued)

As at 31 December 2008, the long-term entrusted loans bore interest at 5.56% to 7.56% (2007: 5.61% to 6.37%), respectively. There are no pledges or guarantees on these loans. All long-term entrusted loans were due within 3 years from 31 December 2008.

As of 31 December 2007 and 31 December 2008, the fair value of the entrusted loans approximated their carrying value and no impairment was provided as all the related subsidiaries do not have default history and no other indicators of impairment were noted.

15. Inventories

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Fuel	1,557,726	538,529	234,711	63,667
<u>Spare parts and consumable supplies</u>	<u>585,035</u>	<u>454,454</u>	<u>141,714</u>	<u>134,148</u>
	<u>2,142,761</u>	<u>992,983</u>	<u>376,425</u>	<u>197,815</u>

As at 31 December 2008 and 2007, all inventories were carried at cost.

16. Short-term Entrusted Loans To Subsidiaries And Associates

	Company and its subsidiaries			
	As at 31 December			
	2008		2007	
	Principal and interest	Including: interest	Principal and interest	Including: interest
<u>Entrusted loan to Tongfang Silicon and Aluminium</u>	<u>-</u>	<u>-</u>	<u>47,751</u>	<u>96</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

16. Short-term Entrusted Loans To Subsidiaries And Associates (Continued)

	Company As at 31 December			
	2008		2007	
	Principal and interest	Including: interest	Principal and interest	Including: interest
Entrusted loans to:				
Lixianjiang Hydropower Company	150,308	308	1,002,005	2,005
Shizhu Power Company	—	—	81,563	163
Xilinhaote Mining Company	—	—	229,459	459
Hohhot Thermal Company	—	—	462,832	672
Renewable Energy Resource Development Company	—	—	40,080	80
Tongfang Silicon and Aluminium	—	—	47,751	96
Xinyu Power Company	110,221	221	400,802	802
	<u>260,529</u>	<u>529</u>	<u>2,264,492</u>	<u>4,277</u>

As at 31 December 2008, all the short-term entrusted loans were due within one year and interest at 6.56% to 7.47% (2007: 5.20% to 6.56%). There are no pledges or guarantees on these loans.

As of 31 December 2007 and 31 December 2008, the fair value of short-term entrusted loans approximated to their carrying value due to the short maturity. No impairment was provided as all the related subsidiaries do not have default history and no other indicators of impairment were noted.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

17. Prepayments and Other Receivables

Prepayments and other receivables comprised the following:

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Prepayment for				
– Fuel purchase	744,644	62,551	86,765	2,296
– Construction	706,711	646,995	2,535,069	905,339
Staff house maintenance fund deposit	21,205	27,726	21,205	26,042
Prepayment for investments	–	40,000	–	40,000
Receivables from disposal of property, plant and equipment	584,942	16,489	–	–
Receivables from sale of materials	84,540	139,711	14,365	13,024
Advance to employees	12,419	15,133	786	1,868
Others	181,091	49,320	13,440	8,332
Total	2,335,552	997,925	2,671,630	996,901

Prepayments and other receivables do not contain significant impaired assets. Provision for doubtful accounts are analysed as follows:

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Beginning and end of year	1,835	1,835	1,833	1,833

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

17. Prepayments and Other Receivables (Continued)

As at 31 December 2008, all other receivables were not past due (2007: other receivable of Rmb 7.6 million were past due). The ageing analysis of these other receivables was as follows:

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Between 1 to 2 years	–	7,289	–	–
Between 2 to 3 years	–	77	–	–
Over 3 years	–	250	–	–
	<u>–</u>	<u>7,616</u>	<u>–</u>	<u>–</u>

As at 31 December 2008, other receivables of Rmb 1,835,000 (2007: Rmb 1,835,000) were impaired. The individually impaired receivables have been long outstanding without any repayment agreements in place or possibility of renegotiation. The ageing of these other receivables was as follows:

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Between 1 to 2 years	–	–	–	–
Between 2 to 3 years	–	–	–	–
Over 3 years	<u>1,835</u>	<u>1,835</u>	<u>1,833</u>	<u>1,833</u>
	<u>1,835</u>	<u>1,835</u>	<u>1,833</u>	<u>1,833</u>

As at 31 December 2008, the balance of prepayments and other receivables of the Company and its subsidiaries due to related parties was Rmb 53,794,000 (2007: Rmb 48,747,000).

As at 31 December 2008, the balance of prepayments and other receivables of the Company due to related parties was Rmb 2,229,863,000 (2007: Rmb 833,035,000) including Rmb 2,229,863,000 due to subsidiaries (2007: Rmb 785,284,000).

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

18. Accounts Receivable and Notes Receivable

Accounts receivable of the Company and its subsidiaries primarily represent receivables from regional or provincial grid companies for tariff revenue. These receivables are unsecured and non-interest bearing. As at 31 December 2008 and 2007, all tariff revenue receivables from the grid companies were aged within three months, and no doubtful debts were considered necessary.

Accounts receivable comprised the following:

	Company and its subsidiaries As at 31 December		Company As at 31 December	
	2008	2007	2008	2007
Accounts receivable	3,906,684	4,937,342	1,090,164	1,792,788
Notes receivable	394,523	743,747	310,800	708,000
	<u>4,301,207</u>	<u>5,681,089</u>	<u>1,400,964</u>	<u>2,500,788</u>
Less: provision for doubtful accounts	—	—	—	—
	<u>4,301,207</u>	<u>5,681,089</u>	<u>1,400,964</u>	<u>2,500,788</u>

The Company and its subsidiaries usually grant about one month's credit period to local power grid customers from the end of the month in which the sales are made.

Ageing analysis of accounts receivable was as follows:

	Company and its subsidiaries As at 31 December		Company As at 31 December	
	2008	2007	2008	2007
Within 1 year	4,298,196	5,663,882	1,397,953	2,483,581
Between 1 to 2 years	3,011	17,207	3,011	17,207
	<u>4,301,207</u>	<u>5,681,089</u>	<u>1,400,964</u>	<u>2,500,788</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

18. Accounts Receivable and Notes Receivable (Continued)

As at 31 December 2008, there was no indication of impairment relating to accounts receivable which were past due and no provision was made. Accounts receivable of Rmb 3 million (2007: Rmb 17 million) were past due but not impaired. The amount is mainly related to a receivable from Datang Texin, an associate of the Company, and the management believes that these receivables can be recovered in the future period. Ageing analysis of these accounts receivable was as follows:

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Between 1 to 2 years	3,011	17,207	3,011	17,207

As at 31 December 2008, the balance of accounts receivable and notes receivable of the Company and its subsidiaries due to related parties was Rmb 185,342,000 (2007: Rmb 104,161,000).

As at 31 December 2008, the balance of accounts receivable and notes receivable of the Company due to related parties was Rmb 148,112,000 (2007: Rmb 91,011,000).

As at 31 December 2008, accounts receivables from the top 5 debtors amounted to approximately Rmb 3,171,508,000 (2007: Rmb 4,168,296,000), representing 81.2% (2007: 84.4%) of the total accounts receivables.

19. Cash and Bank Deposits

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Bank deposits	3,988,882	2,787,151	2,053,403	1,164,647
Deposits with Datang Finance	986,969	600,296	3	–
Cash on hand	1,840	773	479	210
Other monetary assets	–	58,142	–	–
Cash and cash equivalent	4,977,691	3,446,362	2,053,885	1,164,857
Restricted cash	460,477	–	–	–
Short-term bank deposits over three months	30,000	25,000	–	–
	5,468,168	3,471,362	2,053,885	1,164,857

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

20. Share Capital

As at 31 December 2008, the authorised share capital of the Company was Rmb 11,780,037,578, divided into 11,780,037,578 shares of Rmb 1 each. The movement of issued and fully paid up share capital of the Company during the year is as follows:

	31 December		31 December 2008		
	2007	Addition	Number of	Share	Share
	Number of	Number of	Number of	capital	interest
	shares	shares	shares		
	'000	'000	'000	'000	%
A Shares	8,464,360	–	8,464,360	8,464,360	71.85%
H Shares	3,269,723	45,955	3,315,678	3,315,678	28.15%
	<u>11,734,083</u>	<u>45,955</u>	<u>11,780,038</u>	<u>11,780,038</u>	<u>100.00%</u>

The addition of share capital during the year ended 31 December 2008 was a result of conversion of convertible bonds.

	31 December		31 December 2007		
	2006	Addition	Number of	Share	Share
	Number of	Number of	Number of	capital	interest
	shares	shares	shares		
	'000	'000	'000	'000	%
A Shares	4,232,180	4,232,180	8,464,360	8,464,360	72.13%
H Shares	1,430,669	1,839,054	3,269,723	3,269,723	27.87%
	<u>5,662,849</u>	<u>6,071,234</u>	<u>11,734,083</u>	<u>11,734,083</u>	<u>100.00%</u>

The addition of share capital during the year ended 31 December 2007 was a result of (a) bonus issue of 10 shares for every 10 shares outstanding, as a part of the profit appropriation for year 2006; and (b) conversion of convertible bonds during the year.

As at 31 December 2008, 4,051,599,760 A Shares had certain timing restriction on their sales (2007: 4,051,599,760).

A Shares and H Shares rank pari passu with each other.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

21. Reserves

		Attributable to equity holders of the Company								
Note	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Restricted reserve	Available-for-sale reserve	Other reserve	Retained earnings	Total equity	
Balance as at 1 January 2007	5,662,849	6,432,245	2,317,386	5,741,287	143,807	576,217	149,796	1,079,015	22,102,602	
Fair value gains, net of tax: available-for-sale financial assets	-	-	-	-	-	2,268,819	-	-	2,268,819	
Profit for the year	5	-	-	-	-	-	-	3,067,944	3,067,944	
Total recognised income and expense for the year		-	-	-	-	2,268,819	-	3,067,944	5,336,763	
Conversion of convertible bond	28	226,354	931,649	-	-	-	(134,875)	-	1,023,128	
Dividends declared	37	-	-	-	-	-	-	(1,348,714)	(1,348,714)	
Capital reserve transfer to share capital	37	5,844,880	(5,844,880)	-	-	-	-	-	-	
Transfer from restricted reserve	21(d)	-	-	-	(56,619)	-	-	56,619	-	
Profit appropriations	21	-	-	328,747	1,020,774	-	-	(1,349,521)	-	
Balance as at 31 December 2007		<u>11,734,083</u>	<u>1,519,014</u>	<u>2,646,133</u>	<u>6,762,061</u>	<u>87,188</u>	<u>2,845,036</u>	<u>14,921</u>	<u>1,505,343</u>	<u>27,113,779</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

21. Reserves (Continued)

Note	Attributable to equity holders of the Company								
	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Restricted reserve	Available-for-sale reserve	Other reserve	Retained earnings	Total equity
Balance as at 1 December 2008	11,734,083	1,519,014	2,646,133	6,762,061	87,188	2,845,036	14,921	1,505,343	27,113,779
Fair value losses, net of tax: available-for-sale financial assets	-	-	-	-	-	(2,174,894)	-	-	(2,174,894)
Disposals of available-for-sale financial assets	-	-	-	-	-	(670,142)	-	-	(670,142)
Profit for the year	-	-	-	-	-	-	-	2,566,663	2,566,663
Total recognised income and expense for the year	-	-	-	-	-	(2,845,036)	-	2,566,663	(278,373)
Conversion of convertible bond	28	45,955	73,974	-	-	-	(14,921)	-	105,008
Dividends declared	37	-	-	-	-	-	-	(1,408,582)	(1,408,582)
Transfer from restricted reserve	21(d)	-	-	-	-	(41,107)	-	41,107	-
Profit appropriations	21	-	-	292,346	38,631	-	-	(330,977)	-
Others		-	-	12,254	-	-	-	(12,254)	-
Balance as at 31 December 2008	11,780,038	1,592,988	2,950,733	6,800,692	46,081	-	-	2,361,300	25,531,832

(a) Capital reserve

Capital reserve mainly comprised: (i) the difference between the nominal amount of the domestic shares issued and the fair value of the net assets injected into the Company during its formation and also proceeds from the issue of H Shares and A shares in excess of their par value, net of expenses related to the issuance of the shares in 1997 and 2006, and (ii) the premium from convertible bonds converted to shares (Note 28). This reserve is non-distributable.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

21. Reserves (Continued)

(b) Statutory surplus reserve

In accordance with the relevant laws and regulations of the PRC and the Company and its subsidiaries' articles of association, the Company and all its subsidiaries registered in the PRC are required to appropriate 10% of its net profit, after offsetting any prior years' losses, to the statutory surplus reserve. When the balance of such a reserve reaches 50% of the Company's share capital, any further appropriation is optional.

The statutory surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of share capital. The statutory surplus reserve is non-distributable.

(c) Discretionary surplus reserve

Pursuant to the Company and its subsidiaries' articles of association, the appropriation of profit to the discretionary surplus reserve and its utilisation are made in accordance with the recommendation of the Board of Directors and is subject to shareholders' approval at their general meeting.

On 30 March 2009, the Board of Directors proposed to appropriate all the residual amount of the profit attributable to the equity holders of the Company for the year ended 31 December 2008, after the aforementioned appropriation of statutory surplus reserve and dividends, to the discretionary surplus reserve. The proposed profit appropriation is subject to the shareholders' approval in their next general meeting.

On 26 March 2008, the Board of Directors proposed an appropriation of profit of approximately Rmb 38,631,000 to the discretionary surplus reserve for the year ended 31 December 2007. The proposed profit appropriation was approved by the shareholders in their general meeting dated on 30 May 2008.

The discretionary surplus reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them. The discretionary surplus reserve is distributable.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

21. Reserves (Continued)

(d) Restricted reserve

According to related regulations and guidance issued by the Ministry of Finance of the PRC, certain deferred housing benefits are charged to equity directly when incurred under PRC GAAP. To reflect the undistributable retained earnings in these financial statements prepared under IFRS, a restricted reserve is set up to reduce the balance of retained earnings with an amount equals to the residual balance of deferred housing benefits, net of tax. For the year ended 31 December 2008, approximately Rmb 41,107,000 (2007: approximately Rmb 56,619,000) had been transferred from restricted reserve to retained earnings.

Pursuant to relevant PRC regulations, coal mining companies are required to set aside an amount to a fund for future development and work safety which is transferred from retained earnings to restricted reserve. The fund can be used for future development and work safety of the coal mining operations, and is not available for distribution to shareholders. Upon incurring qualifying development expenditure and improvements of safety, an equivalent amount is transferred from restricted reserve to retained earnings. For the year ended 31 December 2008, approximately Rmb 32,138,000 had been transferred from retained earnings to restricted reserve (2007: nil).

(e) Basis for profit appropriations

In accordance with document Cai Kuai Zi [1995] 31 issued by the Ministry of Finance of the PRC, appropriations to statutory reserves are to be determined based on the financial statements prepared in accordance with the PRC GAAP.

In addition, in accordance with the Company's articles of association, distributable profit of the Company is derived based on the lower of retained earnings determined in according with PRC GAAP and IFRS.

The retained earnings attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extend of Rmb 2,361,300,000 as at 31 December 2008.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

22. Long-term Loans

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Long-term bank loans (a)	72,309,093	46,063,927	13,910,000	4,292,700
Other long-term loans (b)	2,173,232	1,544,557	500,000	–
Entrusted loan (c)	110,000	130,000	–	–
	<u>74,592,325</u>	<u>47,738,484</u>	<u>14,410,000</u>	<u>4,292,700</u>
Less: Amounts due within one year included under current liabilities	<u>(6,461,903)</u>	<u>(4,187,569)</u>	<u>(712,500)</u>	<u>(500,000)</u>
	<u>68,130,422</u>	<u>43,550,915</u>	<u>13,697,500</u>	<u>3,792,700</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

22. Long-term Loans (Continued)

(a) Long-term bank loans

Long-term bank loans of the Company and its subsidiaries

As at 31 December 2008						
	Foreign currency	Exchange rate	Rmb equivalent	Less: Amounts due within one year	Total	Annual interest rate
Unsecured Loans						
– Rmb denominated			29,897,070	(3,069,770)	26,827,300	4.86%-7.74%
Guaranteed Loans (i)						
– Rmb denominated			7,477,850	(1,388,170)	6,089,680	3.60%-7.83%
– USD denominated	73,564	6.8346	502,783	(327,971)	174,812	
Fixed Interest Rate	62,980	6.8346	430,445	(286,963)	143,482	4.14%
Floating Interest Rate	10,584	6.8346	72,338	(41,008)	31,330	Libor+1.2%
Pledged with assets (ii)						
– Rmb denominated			810,000	(50,000)	760,000	5.76%-7.83%
Pledged with equity interest (iii)						
– Rmb denominated			30,000	(30,000)	–	6.30%
Pledged with right of tariff collection						
– Rmb denominated			33,591,390	(1,177,585)	32,413,805	5.10%-7.83%
Total			72,309,093	(6,043,496)	66,265,597	

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

22. Long-term Loans (Continued)

(a) Long-term bank loans (Continued)

Long-term bank loans of the Company and its subsidiaries (Continued)

As at 31 December 2007						
	Foreign currency	Exchange rate	Rmb equivalent	Less: Amounts due within one year	Total	Annual interest rate
Unsecured Loans						
– Rmb denominated			18,167,140	(1,718,900)	16,448,240	3.60%-7.05%
Guaranteed Loans (i)						
– Rmb denominated			4,819,720	(392,350)	4,427,370	5.43%-7.41%
– USD denominated	121,551	7.3046	887,882	(350,524)	537,358	
Fixed Interest Rate	104,967	7.3046	766,742	(306,697)	460,045	4.14%
Floating Interest Rate	16,584	7.3046	121,140	(43,827)	77,313	Libor+1.2%
Pledged with right of tariff collection						
– Rmb denominated			22,189,185	(1,486,205)	20,702,980	5.51%-7.20%
Total			46,063,927	(3,947,979)	42,115,948	

- (i) As at 31 December 2008, long-term bank loans of approximately Rmb 6,766,517,000 were guaranteed by the Company (2007: approximately Rmb 4,146,224,000), and approximately Rmb 1,214,116,000 were guaranteed by the Company and its subsidiaries' minority shareholders (2007: approximately Rmb 1,561,378,000).

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

22. Long-term Loans (Continued)

(a) Long-term bank loans (Continued)

Long-term bank loans of the Company and its subsidiaries (Continued)

- (ii) As at 31 December 2008, long-term bank loans of approximately Rmb 60,000,000 were pledged by a ship owned by JiangSu Datang Shipping Company; another Rmb 750,000,000 were pledged by Zhigangkala Company's entire assets. The breakdown of Zhigangkala Company's assets as at 31 December 2008 is as follows:

	As at 31 December 2008
Cash	8,277
Accounts receivable	10,757
Prepayment and other receivables	14,168
Inventories	436
Property, plant and equipment	1,266,125
	<hr/>
	1,299,763

- (iii) As at 31 December 2008, True Busy Company pledged its equity interest of Zhigangkala Company for long-term borrowing.

Long-term bank loans of the Company

As at 31 December 2008, all long-term bank loan of the Company were unsecured and bore interest at variable rates ranging from 4.86% to 7.12% per annum (2007: 5.67% to 7.05%).

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

22. Long-term Loans (Continued)

(b) Other long-term loans

Other long-term loans of the Company and its subsidiaries

As at 31 December 2008					
Foreign currency	Exchange rate	Rmb equivalent	Less: amounts due within one year	Total	Annual interest rate
Unsecured Loans (i)					
– Rmb denominated		810,000		810,000	4.86%-7.35%
Guaranteed Loans					
– Rmb denominated (ii)		203,500	(203,500)	–	6.80%
– USD denominated (iii)		169,685	(104,907)	1,054,825	3.29%
		<u>2,173,232</u>	<u>(308,407)</u>	<u>1,864,825</u>	

As at 31 December 2007					
Foreign currency	Exchange rate	Rmb equivalent	Less: amounts due within one year	Total	Annual interest rate
Guaranteed Loans					
– Rmb denominated (ii)		203,500	–	203,500	5.67%-5.91%
– USD denominated (iii)		183,591	(109,590)	1,231,467	5.52%
		<u>1,544,557</u>	<u>(109,590)</u>	<u>1,434,967</u>	

- (i) It represented unsecured loans from Datang Finance, a non-bank financial institution.
- (ii) It represented loans borrowed from Datang Finance, a non-bank financial institution, which were guaranteed by the Company.
- (iii) It represented loan borrowed by the Ministry of Finance of the PRC (“MOF”) from International Bank for Reconstruction and Development (“World Bank”) and on-lent to the Company’s subsidiary, Tuoketuo Power Company, for the construction of electricity utility plant. It has maturities from 1998 to 2017. It bore interest at the rate of Libor Base Rate plus Libor Total Spread as defined in the loan agreement between MOF and World Bank. China Datang guarantees 60% of the loan balance.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

22. Long-term Loans (Continued)

(b) Other long-term loans (Continued)

Other long-term loans of the Company

As at 31 December 2008, other long-term loan of Company was borrowed from Datang Finance and bore interest at 4.86% (2007: nil).

(c) Entrusted loan

As of 31 December 2008 and 2007, entrusted loan represented a loan borrowed by Hohhot Thermal Company from Tuketuo Guoneng Investment Company Limited through Bank of Communication Beijing Branch, bearing interest at 7.47% per annum (2007: 5.76%). This loan has no pledges or guarantees.

(d) Loan payment schedule

	Company and its subsidiaries					
	Long-term bank loans		Other long-term loans		Entrusted loan	
	As at 31 December		As at 31 December		As at 31 December	
	2008	2007	2008	2007	2008	2007
Within one year	6,043,496	3,947,979	308,407	109,590	110,000	130,000
Between one and two years	13,511,737	4,281,422	104,823	315,552	–	–
Between two and five years	23,216,915	11,045,321	1,014,468	377,794	–	–
Wholly repayable within five years	42,772,148	19,274,722	1,427,698	802,936	110,000	130,000
Over five years	29,536,945	26,789,205	745,534	741,621	–	–
	<u>72,309,093</u>	<u>46,063,927</u>	<u>2,173,232</u>	<u>1,544,557</u>	<u>110,000</u>	<u>130,000</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

22. Long-term Loans (Continued)

(d) Loan payment schedule (Continued)

	Company			
	Long-term bank loans		Other long-term loans	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Within one year	712,500	500,000	–	–
Between one and two years	4,882,500	–	–	–
Between two and five years	4,857,500	–	500,000	–
Wholly repayable within five years	10,452,500	500,000	500,000	–
Over five years	3,457,500	3,792,700	–	–
	<u>13,910,000</u>	<u>4,292,700</u>	<u>500,000</u>	<u>–</u>

(e) Interest payment schedule

	Company and its subsidiaries	
	As at 31 December	
	2008	2007
Within one year	4,474,383	2,964,648
Between one and two years	3,805,135	2,913,553
Between two and five years	7,897,645	6,371,824
Over five years	6,860,820	9,606,031
	<u>23,037,983</u>	<u>21,856,056</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

23. Short-term Loans

Short-term loans are as follows:

	Company and its subsidiaries As at 31 December		Company As at 31 December	
	2008	2007	2008	2007
Short-term bank loans (a)	25,982,130	20,208,029	12,802,587	4,800,000
Other short-term loans (b)	3,601,978	1,956,500	500,000	—
	<u>29,584,108</u>	<u>22,164,529</u>	<u>13,302,587</u>	<u>4,800,000</u>

(a) Short-term bank loans

Short-term bank loans of the Company and its subsidiaries

	As at December 2008			
	Foreign currency	Exchange rate	Rmb equivalent	Annual interest rate
Unsecured loans				
– Rmb denominated			19,438,876	4.78%-7.47%
– USD denominated	9,600	6.8346	65,612	4.00% and USD 3 months Libor+350 BP
Guaranteed loans				
– Rmb denominated loan (i)			5,277,000	5.99%-7.74%
– HKD denominated (ii)	700,000	0.8819	617,323	4.35%
Pledged with right of tariff collection				
– Rmb denominated			16,300	5.04%-6.03%
Pledged with accounts receivable				
– Rmb denominated			252,500	6.03%
Pledged with notes receivable				
– Rmb denominated (iii)			314,519	0%-0.37%
			<u>25,982,130</u>	

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

23. Short-term Loans (Continued)

(a) Short-term bank loans (Continued)

Short-term bank loans of the Company and its subsidiaries (Continued)

	As at 31 December 2007			
	Foreign currency	Exchange rate	Rmb equivalent	Annual interest rate
Unsecured loans				
– Rmb denominated			17,839,290	4.96%-7.29%
– USD denominated	2,995	7.3046	21,878	6.35%
Guaranteed loans				
– Rmb denominated (i)			2,267,000	5.51%-6.72%
Pledged with right of tariff collection				
– Rmb denominated			79,861	5.51%-6.48%
			<u>20,208,029</u>	

- (i) As at 31 December 2008, the Company provided guarantee for all Rmb denominated and USD denominated short-term bank loans, in which Rmb 927,000,000 of which were counter-guaranteed by the minority shareholders according to their shareholding percentage in the subsidiaries (2007: Rmb 2,040,800,000 and Rmb 246,200,000 were guaranteed by the Company and the minority shareholders according to their shareholding percentage in subsidiaries respectively).
- (ii) As at 31 December 2008, the HKD denominated short-term bank loans from Bank of China (Hong Kong) Ltd. were guaranteed by Bank of China and counter-guaranteed by the Company.
- (iii) The amount represented notes receivable discounted and recorded as collateralised short-term loans. Interest on certain discounted notes is born by the issuer therefore the discount interest rate was 0%.

Short-term bank loans of the Company

As at 31 December 2008, approximately Rmb 12,503 million was unsecured and bore interest at variable rates ranging from 4.86% to 7.47% per annum (2007: Rmb 4,800 million and bore interest at variable rates ranging from 5.83% to 7.29%). Other short-term bank loan was pledged with notes receivable (2007: nil).

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

23. Short-term Loans (Continued)

(b) Other short-term loans – Rmb denominated

Other short-term loans of the Company and its subsidiaries

	31 December 2008	31 December 2007
Unsecured loans		
– Datang Finance	2,504,000	1,926,500
– Jilin Province Trust and Investment Co., Ltd.	500,000	–
Guaranteed loans		
– CITIC Trust and Investment Co., Ltd. (“CITIC”) (i)	497,978	–
– Huazhong Power Finance Co., Ltd. (“Huazhong Power Finance”) (i)	–	30,000
– Zhongrong International Trust Company (“Zhongrong Trust”) (ii)	100,000	–
	<u>3,601,978</u>	<u>1,956,500</u>

- (i) It represented loan acquired by Lixianjiang Hydropower Company from CITIC, which was guaranteed by China Construction Bank and bore interest rate at 7.67% (2007: loan from Huazhong Power Finance was pledged with right of tariff collection and guaranteed by Jiangxi Province Investment Group – the former shareholder of Xinyu Power Company and bore interest rate at 7.29%).
- (ii) It represented a borrowing from Zhongrong Trust, for which the Industrial and Commercial Bank of China Shanxi Branch committed to provide a loan facility to Yuncheng Power Company for the repayment of this borrowings when it falls due. The interest rate is 7.47% per annum.

Other short-term loans of the Company

As at 31 December 2008, the other short-term loans bore interest at 5.43% (2007: nil).

24. Deferred Income

The Company and its subsidiaries received government grants from local environmental protection authorities for undertaking approved environmental protection projects. Amortisation of deferred income for the year amounted to Rmb 14,923,000 (2007: Rmb 8,502,000).

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

25. Other Long-Term Liabilities

	31 December 2008	Company and its subsidiaries 31 December 2007
Finance lease payables*	4,454,153	–
Others	75,630	98,667
<hr/>		
Less: Amounts due within one year included under current liabilities	(359,686)	–
<hr/>		
	4,170,097	98,667

* Finance lease payables

Finance lease payables are the minimum lease payments net of unrecognised finance costs.

Gross finance lease liabilities – minimum lease payments:

	Company and its subsidiaries 31 December 2008
Within one year	631,449
Between one and two years	738,630
Between two and five years	2,092,499
Over five years	2,788,547
<hr/>	
	6,251,125

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

25. Other Long-Term Liabilities (Continued)

The present value of finance lease liabilities is as follows:

	Company and its subsidiaries 31 December 2008
Within one year	359,686
Between one and two years	466,661
Between two and five years	1,532,913
Over five years	2,094,893
	<u>4,454,153</u>

26. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities and their ageing are detailed as follows:

As at 31 December 2008	Company and its subsidiaries					Company				
	Less than 1 year	Between	Between	Over 3 years	Total	Less than 1 year	Between	Between	Over 3 years	Total
		1 and 2 years	2 and 3 years				1 and 2 years	2 and 3 years		
Construction costs and deposits payable to contractors	5,955,542	1,585,557	414,070	52,052	8,007,221	1,404,975	176,653	146,946	9,508	1,738,082
Fuel and material costs payable	3,693,115	225,658	53,384	6,276	3,978,433	834,169	25,517	1,460	2,305	863,451
Salary and welfare payable	41,533	-	-	-	41,533	8,875	-	-	-	8,875
Interest payable	421,878	-	-	-	421,878	233,653	-	-	-	233,653
Acquisition cost payable	126,768	-	-	-	126,768	45,000	-	-	-	45,000
Others	465,032	36,991	36,168	30,794	568,985	587,951	9,388	7,914	15,621	620,874
	<u>10,703,868</u>	<u>1,848,206</u>	<u>503,622</u>	<u>89,122</u>	<u>13,144,818</u>	<u>3,114,623</u>	<u>211,558</u>	<u>156,320</u>	<u>27,434</u>	<u>3,509,935</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

26. Accounts Payable and Accrued Liabilities (Continued)

As at 31 December 2007	Company and its subsidiaries					Company				
	Between		Between		Over 3	Between		Between		Over 3
	Less than 1 year	1 and 2 years	2 and 3 years	Over 3 years		Total	Less than 1 year	1 and 2 years	2 and 3 years	
Construction costs and deposits payable to contractors	4,953,901	791,964	109,664	74,229	5,929,758	1,657,447	214,799	26,888	787	1,899,921
Fuel and material costs payable	2,814,060	87,274	26,352	2,880	2,930,566	577,824	9,910	24,012	1,507	613,253
Salary and welfare payable	92,023	-	-	-	92,023	52,497	-	-	-	52,497
Interest rate swap liability	51,970	-	-	-	51,970	-	-	-	-	-
Interest payable	246,877	-	-	-	246,877	77,623	-	-	-	77,623
Acquisition cost payable	280,522	-	-	-	280,522	243,126	-	-	-	243,126
Others	312,514	2,774	428	417	316,133	110,642	1,311	125	-	112,078
	<u>8,751,867</u>	<u>882,012</u>	<u>136,444</u>	<u>77,526</u>	<u>9,847,849</u>	<u>2,719,159</u>	<u>226,020</u>	<u>51,025</u>	<u>2,294</u>	<u>2,998,498</u>

The interest rate swap contract of Tuoketuo Power Company was terminated in year 2008.

As at 31 December 2008, the balance of accounts payable and accrued liabilities of the Company and its subsidiaries due to related parties was Rmb 69,141,000 (2007: Rmb 71,082,000).

As at 31 December 2008, the balance of accounts payable and accrued liabilities of the Company due to related party was Rmb 37,301,000 (2007: Rmb 352,789,000), including Rmb 11,462,000 (2007: Rmb 345,261,000) due to subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2008
(All amounts expressed in thousands of Rmb unless otherwise stated)

27. Short-term Bonds

	Company and its subsidiaries As at 31 December		Company As at 31 December	
	2008	2007	2008	2007
Short-term bonds	<u>3,500,000</u>	<u>3,000,000</u>	<u>3,500,000</u>	<u>3,000,000</u>

As at 31 December 2008, short-term bonds represented bonds issued by the Company on 6 October 2008 at par value with an interest rate at 4.68% per annum and a duration within one year.

As at 31 December 2007, short-term bonds represented bonds issued by the Company on 7 June 2007 at par value with an interest rate at 3.48% per annum and a duration within one year, which were fully repaid in 2008.

There are no pledges or guarantees on the bonds.

28. Current Portion of Long-term Loans and Bonds

	Company and its subsidiaries As at 31 December		Company As at 31 December	
	2008	2007	2008	2007
Long-term loans due within one year (Note 22)	6,461,903	4,187,569	712,500	500,000
Other long-term liabilities due within one year (Note 25)	359,686	—	—	—
Convertible bonds due within one year*	—	108,499	—	108,499
	<u>6,821,589</u>	<u>4,296,068</u>	<u>712,500</u>	<u>608,499</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

28. Current Portion of Long-term Loans and Bonds (Continued)

*The movement of the convertible bonds is as follows:

	Company and its subsidiaries/Company	
	2008	2007
Liability component at beginning of year	108,499	1,111,810
Convert into ordinary share	(104,890)	(1,000,076)
Interest expense	3,420	21,321
Interest payments	(408)	(3,511)
Exchange rate adjustment	(6,621)	(21,045)
	<hr/>	<hr/>
Liability component at end of year	—	108,499
	<hr/>	<hr/>
Less: Amounts due within one year included under current liabilities	—	(108,499)
	<hr/>	<hr/>
	<hr/>	<hr/>

29. Assets and Liabilities Held for Sale

	Company and its subsidiaries 2008
Cash flow from operating activities	—
Cash outflow from investing activities	(70,474)
Cash inflow from financing activities	(291,757)
Net increase in cash and cash equivalents	(362,231)

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

30. Employee Benefits

Retirement benefits

The Company and its subsidiaries are required to make specific contributions to the state-sponsored retirement plan at a rate of 20% (2007: 20%) of the specified salary amounts of the PRC employees. The PRC government is responsible for the pension liability to the retired employees. The employees of the Company and its subsidiaries are entitled to a monthly pension upon their retirements.

In addition, the Company and its subsidiaries have implemented a supplementary defined contribution retirement scheme. Under this scheme, the employees of the Company and its subsidiaries make a specified contribution based on their service duration. The Company and its subsidiaries are required to make a contribution equal to two times of the staff's contributions. The Company and its subsidiaries may, at their discretion, provide additional contributions to the retirement fund depending on the operating results of the year. The employees will receive the total contributions, and any returns thereon, upon retirement.

The total retirement cost incurred by the Company and its subsidiaries during the year ended 31 December 2008 pursuant to these arrangements amounted to approximately Rmb 204,764,000 (2007: Rmb 163,242,000).

Housing benefits

Apart from the housing benefits and monetary subsidies (Note 12), in accordance with the PRC housing reform regulations, the Company and its subsidiaries are required to make contributions to the state-sponsored housing fund at rate 10% to 20% (2007: 10% to 20%) of the specified salary amounts of the PRC employees. At the same time, the employees are required to make a contribution equal to the Company and its subsidiaries' contributions out of their salaries. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Company and its subsidiaries have no further obligations for housing benefits beyond the above contributions made. For the year ended 31 December 2008, the Company and its subsidiaries provided approximately Rmb 110,658,000 (2007: Rmb 109,525,000) to the fund.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

31. Operating Revenue and Segment Information

The Company and its subsidiaries primarily conduct their business within one business segment – the business of power generation in the PRC. Pursuant to the Power Purchase Agreements entered into between the Company and its subsidiaries and State Grid Corporation of China (“SGCC”) and the regional or provincial grid companies, the Company and its subsidiaries are required to sell their entire net generation of electricity to these grid companies at an approved tariff rate. For the years ended 31 December 2008 and 2007, all of the electricity generated by the Company and its subsidiaries was sold to SGCC and regional or provincial grid companies. As power generation by the Company and its subsidiaries are subject to similar business risks, no segment information has been prepared for the year end 31 December 2007 and 2008. The Company and its subsidiaries also operate within one geographical segment in the PRC. Accordingly, no geographical segment data is presented.

	2008	2007
Sales of electricity	35,926,106	32,483,179
Heat supply	220,368	145,452
Sales of coal	384,797	94,032
Transportation service fees	30,923	–
Sales of materials	12,171	7,848
Sales of equipment	199,626	12,739
Others	61,770	19,539
	<u>36,835,761</u>	<u>32,762,789</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

32. Operating Profit

Operating profit was determined after charging (crediting) the following:

	2008	2007
(Gains)/Losses on disposals of property, plant and equipment	(37,936)	60,594
Employee benefit expenses		
– Wages	1,194,713	1,100,386
– Retirement benefits	179,116	150,064
– Staff housing benefits	174,726	192,844
– Other staff costs	228,238	142,326
Depreciation		
– Capitalised as construction-in-progress	30,723	23,318
– Included as operating expenses	6,158,729	4,912,604
Auditors' remuneration	13,180	11,860
Cost of inventories		
– Fuel	22,506,680	15,257,655
– Spare parts and consumable supplies	482,629	295,438
Operating lease		
– Buildings	12,774	8,888
Dividend income		
– From listed investments	50,229	50,229
– From unlisted investments	48,408	1,670
Donation	3,001	4,481

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

33. Finance Costs

	2008	2007
Interest expense on:		
Short-term bank loans	1,908,965	702,494
Other short-term loans	452,001	37,074
Long-term bank loans		
– wholly repayable within five years	1,820,620	1,821,886
– repayable beyond five years	1,871,818	877,763
Other long-term loans		
– wholly repayable within five years	108,388	121,333
– repayable beyond five years	4,699	7,210
Long-term entrusted loans		
– wholly repayable within five years	9,240	7,860
Convertible bonds	3,420	21,321
Short-term bonds	44,080	55,846
Discount interest of notes payable	46,476	43,038
Interest of financial lease	213,547	–
	<u>6,483,254</u>	<u>3,695,825</u>
Less: amount capitalised in property, plant and equipment	<u>(2,763,578)</u>	<u>(1,512,950)</u>
	3,719,676	2,182,875
Exchange gain, net	(145,953)	(188,093)
Fair value loss on an interest rate swap*	8,551	36,018
Commitment charge of facility	47,735	–
Underwriting fees of short-term bonds	14,000	12,000
Others	20,741	19,354
	<u>3,664,750</u>	<u>2,062,154</u>

- * To hedge against its interest rate risk on long-term loans, Tuoketuo Power Company has entered into an interest rate swap, which is carried at fair value. However, since the swap does not qualify as an effective hedge under IAS 39, the variance in its fair value is included in the consolidated income statement. The interest rate swap contract was terminated in year 2008.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

34. Taxation

	2008	2007
Current income tax	592,345	1,562,023
Deferred income tax	(520,534)	(64,473)
Tax charge	71,811	1,497,550

The taxation of the Company and its subsidiaries differs from the theoretical amount that would arise by the statutory tax rate in the PRC. The reconciliation is shown as follows:

	2008	2007
Profit before taxation	612,185	6,063,347
Tax calculated at the statutory tax rate	153,046	2,000,905
Tax effects of:		
Preferential tax rate impact on the income of subsidiaries	(185,136)	(532,568)
Expense not deductible for tax purpose	10,738	32,536
Tax losses for which no deferred income tax asset was recognised	237,909	17,368
Associate results and other investment income not subject to tax	(108,511)	(59,675)
Remeasurement of deferred tax – change in PRC tax rate	–	14,591
Other deductible items for which no deferred income tax was recognised	(36,235)	24,393
Tax charge	71,811	1,497,550

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

34. Taxation (Continued)

The movement of deferred income tax assets during the year is as follows:

		Company and its subsidiaries								2007	
		2008									
		Preliminary expenses	Depreciation	Fair value of an interest rate swap	Deductible losses accumulated	Impairment of assets	Government grants	Gain from transaction with subsidiary	Others	Total	Total
Beginning of year		46,938	31,597	21,534	-	-	17,269	37,218	2,236	156,792	142,969
(Credited)/Charged to income statement		(19,981)	-	(9,431)	513,272	5,280	10,675	(2,881)	56,833	553,767	13,823
End of year		26,957	31,597	12,103	513,272	5,280	27,944	34,337	59,069	710,559	156,792

		Company			2007
		2008			
		Government grants	Impairment of assets	Total	Total
Beginning of year		14,613	-	14,613	-
Charged to income statement		10,918	5,280	16,198	14,613
End of year		25,531	5,280	30,811	14,613

The movement in deferred income tax liabilities during the year is as follows:

		Company and its subsidiaries									2007	
		2008										
		Deferred housing benefits	Capitalised borrowing costs	Convertible bond	Fair value gain in equity	Safty fund and future development fund	Unrealised exchange gains and losses	Government grants	Assets appraisal surplus	others	Total	Total
Beginning of year		9,656	55,197	851	948,346	-	-	-	87,791	136	1,101,977	421,682
Acquisition		-	-	-	-	-	-	-	204,258	-	204,258	89,460
Credited/(Charged) to income statement		7,516	(2,658)	(735)	-	8,034	27,774	(432)	(6,130)	(136)	33,233	(50,650)
(Charged) to equity		-	-	(116)	(948,346)	-	-	4,533	-	-	(943,929)	641,485
End of year		17,172	52,539	-	-	8,034	27,774	4,101	285,919	-	395,539	1,101,977

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

34. Taxation (Continued)

The movement in deferred income tax liabilities during the year is as follows: (Continued)

	Company					2007
	2008					
	Deferred housing benefits	Capitalised borrowing costs	Convertible bond	Fair value gain in equity	Total	Total
Beginning of year	1,368	35,273	851	948,346	985,838	391,105
(Charged) to income statement	(1,368)	(860)	(735)	–	(2,963)	(46,752)
(Charged)/Credited to equity	–	–	(116)	(948,346)	(948,462)	641,485
<u>End of year</u>	<u>–</u>	<u>34,413</u>	<u>–</u>	<u>–</u>	<u>34,413</u>	<u>985,838</u>

The amounts of deferred income tax assets and deferred income tax liabilities shown in the consolidated balance sheets include the following:

	Company and its subsidiaries	
	2008	2007
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	561,580	138,207
– Deferred income tax assets to be recovered within 12 months	148,979	18,585
	<u>710,559</u>	<u>156,792</u>
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	353,487	1,096,049
– Deferred income tax liabilities to be settled within 12 months	42,052	5,928
	<u>395,539</u>	<u>1,101,977</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

34. Taxation (Continued)

The amounts of deferred income tax assets and deferred income tax liabilities shown in the Company's balance sheets include the following:

	Company	
	2008	2007
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	25,229	14,613
– Deferred income tax liabilities to be settled within 12 months	5,582	–
	<u>30,811</u>	<u>14,613</u>
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	34,413	983,618
– Deferred income tax liabilities to be settled within 12 months	–	2,220
	<u>34,413</u>	<u>985,838</u>

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Company and its subsidiaries are also considered as related parties.

- (i) The related parties of the Company and its subsidiaries are as follows:

Names of related parties	Nature of relationship
Related parties in which the Company has no equity interest:	
China Datang	Controlling Shareholder
Tianjin Jinneng Investment Company ("Tianjin Jinneng")	Shareholder
Datang Gansu Power Generation Co., Ltd. – Liancheng Power Plant ("Datang Gansu Liancheng Power")	Subsidiary of the Controlling Shareholder
Datang Gansu Power Generation Co., Ltd. – Gangu Power Plant ("Datang Gansu Gangu Power")	Subsidiary of the Controlling Shareholder
China National Water Resources and Electric Power Materials and Equipment Co., Ltd. ("China Water Resources and Power")	Subsidiary of the Controlling Shareholder
China Datang Technologies and Engineering Co., Ltd. ("Datang Technologies")	Subsidiary of the Controlling Shareholder
Hunan Datang Enertek Technology Co., Ltd. ("Datang Enertek")	Subsidiary of the Controlling Shareholder
Datang Guiguan Heshan Power Generation Co., Ltd. ("Datang Guiguan")	Subsidiary of the Controlling Shareholder
Datang Power Fuel Co., Ltd. ("Datang Power Fuel")	Subsidiary of the Controlling Shareholder
Beijing Energy Thermal Power Co., Ltd. ("Jingneng Thermal")	Subsidiary of shareholder
Yunnan Datang Honghe Power Fuel Co., Ltd. ("Yunnan Datang Fuel")	Subsidiary of associate
Other State-owned Enterprises	Related parties of the Company

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (i) The related parties of the Company and its subsidiaries are as follows: (Continued)

Names of related parties	Nature of relationship
Related parties in which the Company has equity interest:	
Yuzhou Mining Company	Jointly controlled entity
Yuzhou Energy Company	Jointly controlled entity
NCEPR	Associate
Datang Texin	Associate
Tashan Coal Mine	Associate
Tashan Power Company	Associate
Datang Finance	Associate
Tongfang Silicon and Aluminium	Associate
Huaxia Datang	Associate
Deqin Hydropower	Associate

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year:

	Note	2008	2007
Ash disposal fee to China Datang	(a)	57,892	57,892
Rental fee to China Datang	(b)	7,228	7,228
Technical supervision, assistance and testing service fee to NCEPR	(c)	50,240	45,734
Heat revenue from Datang Texin	(d)	115,829	56,243
Fuel management fee to Datang Power Fuel	(e)	4,852	11,190
Interest expense to Datang Finance	(f)	140,085	115,376
Interest expense to Tianjin Jinneng	(g)	–	5,348
Rental fee to Datang Gansu Liancheng Power	(h)	15,000	15,000
Substitute power generation revenue from Datang Gansu Liancheng Power	(i)	–	20,160
Purchase of materials and fuel from Datang Gansu Liancheng Power	(j)	1,369	11,300
Purchase of power generation quota from Datang Gansu Liancheng Power	(k)	15,580	–

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)

	Note	2008	2007
Purchase cost of power generation			
quota paid to Datang Gansu Gangu Power	(l)	–	26,011
Purchase of equipment from Datang Technologies	(m)	6,813	28,501
Construction fee to Datang Technologies	(n)	10,490	–
Revenue from equipment sold to			
China Water Resources and Power	(o)	199,626	12,736
Agency commission paid to China Water Resources			
and Power for equipment purchases	(p)	10,014	7,436
Purchase of equipment from Datang Enertek	(q)	2,280	1,730
Interest income from Tongfang Silicon and Aluminium	(r)	3,127	153
Sales of electricity to Tongfang Silicon and Aluminium	(s)	4,214	–
Interest income from Datang Finance	(t)	23,447	400
Purchase of coal from Huaxia Datang	(u)	3,811	–
Purchase of coal from Yunnan Datang Fuel	(v)	354,618	–
Sales of coal to Datang Guiguan	(w)	106,530	–
Transportation service revenue from Datang Guiguan	(x)	11,050	–
Sales of coal to Jingneng Thermal	(y)	1,670	–
Purchase of coal from Yuzhou Mining Company	(z)	338,990	319,167
Gain from equity interest sold to China Datang	(ab)	9,762	–

- (a) The ash disposal fee was determined based on ash disposal operating costs, taxes, depreciation of ash yards and a profit margin at 5% to 10% of the total costs incurred by China Datang. As at 31 December 2008 and 2007, there was no balance due to China Datang regarding this service.
- (b) The Company has leased buildings of 141,671 (2007: 141,671) square metres from China Datang for an annual rental rate of approximately Rmb 7,228,000 in 2008 (2007: Rmb 7,228,000). As at 31 December 2008 and 2007, there was no balance due to China Datang regarding this lease.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)
- (c) NCEPR provides technical supervision, assistance and testing services to the Company and its subsidiaries in relation to the power generating equipment and facilities. Pursuant to the technical supervision services contracts, such services are charged at a pre-determined rate based on the installed capacity of the Company and its subsidiaries. As at 31 December 2008, the Company and its subsidiaries had a total balance of Rmb 6,929,000 (2007: Rmb 12,796,000) due to NCEPR regarding this service, which was included in accounts payable.
 - (d) The Company sold heat to Datang Texin based on the price approved by Beijing Price Bureau. As at 31 December 2008, the balance due from Datang Texin amounted to Rmb 143,898,000 (2007: Rmb 91,011,000), which was included in accounts receivable and notes receivable.
 - (e) Datang Power Fuel provided fuel management and development services to the Company and its subsidiaries, with a charge rate of Rmb 0.30 (2007: Rmb 0.30) per ton of coal purchased. As at 31 December 2008, there was no balance due to Datang Power Fuel regarding this service (2007: Rmb 6,471,000).
 - (f) Please refer to Note 22 and Note 23 for the loans from Datang Finance.
 - (g) In 2006, Tianjin Jinneng provided entrusted loan to Shentou Power Company, through Shenzhen Development Bank Tianjin Beichen Branch. This loan was repaid in 2007.
 - (h) The Company and its subsidiaries leased facilities from Datang Gansu Liancheng Power for an annual rental rate of approximately Rmb 15,000,000 during the year ended 31 December 2008 (2007: Rmb 15,000,000). As at 31 December 2008 and 2007, there was no balance due to Datang Gansu Liancheng Power regarding this service.
 - (i) In 2007, the Company and its subsidiaries obtained substitute power generation revenue from Datang Gansu Liancheng Power. As at 31 December 2007, the balance due from Datang Gansu Liancheng Power was Rmb 2,961,000.
 - (j) The Company and its subsidiaries purchased some materials and coal from Datang Gansu Liancheng Power. As at 31 December 2008 and 2007, there was no balance due to Datang Gansu Liancheng Power regarding these purchases.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)
- (k) In 2008, the Company and its subsidiaries entered into a substitute power generation agreement with Datang Gansu Liancheng Power, pursuant to which the Company and its subsidiaries receive tariff revenue directly from the power grid company and pay power generation quota cost to Datang Gansu Liancheng Power. As at 31 December 2008, there was no balance due to Datang Gansu Liancheng Power regarding this purchase.
- (l) In 2007, the Company and its subsidiaries purchased power generation quota from Datang Gansu Gangu Power based on the price approved by Gansu Provincial Grid Company. As at 31 December 2007, there was no balance due to Datang Gansu Gangu Power regarding this purchase.
- (m) The Company and its subsidiaries purchased equipment from Datang Technologies. As at 31 December 2008, the Company and its subsidiaries have a total balance of Rmb 1,177,000 due to Datang Technologies (2007: nil).
- (n) In 2008, Datang Technologies provided machinery and equipments installation services to the Company and its subsidiaries. As at 31 December 2008, the Company and its subsidiaries have a total balance of Rmb 1,034,000 due to Datang Technologies (2007: nil).
- (o) The Company and its subsidiaries had equipment sales revenue from China Water Resources and Power. The Company and its subsidiaries have a total balance of Rmb 37,230,000 due from China Water Resources and Power, which was included in accounts receivable (2007: Rmb 10,189,000 of accounts receivable and Rmb 45,834,000 of advance from customers).
- (p) China Water Resources and Power provides agency services for the equipment purchase to the Company and its subsidiaries. As of 31 December 2008, the Company and its subsidiaries had an accounts payable balance of Rmb 37,344,000 (2007: Rmb 3,859,000) and prepayment balance included in construction in progress of Rmb 990,587,000 (2007: nil) with China Water Resources and Power, which are substantially the purchase price receivable/received by China Water Resources and Power on behalf of the suppliers.
- (q) In 2008, the Company and its subsidiaries purchased equipment from Datang Enertek. As at 31 December 2008, the Company and its subsidiaries had a total balance of Rmb 2,280,000 due to Datang Enertek (2007: nil).

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)
- (r) In 2007, the Company and its subsidiaries provided an entrusted loan to Tongfang Silicon and Aluminium via Datang Finance, which bore interest at 6.56% per annum and with an original duration of one year. In 2008, this entrusted loan was extended to 3 years. As at 31 December 2008, the Company and its subsidiaries had an interest receivable balance of Rmb 104,000 due from Tongfang Silicon and Aluminium (2007: Rmb 96,000). The principal and interest are included in long-term entrusted loans to subsidiaries and associates (Note 14).
- (s) In 2008, the Company and its subsidiaries sold electricity to Tongfang Silicon and Aluminium. As at 31 December 2008, the Company and its subsidiaries had a total balance of Rmb 4,214,000 due from Tongfang Silicon and Aluminium for the sales, which was included in accounts receivable.
- (t) As at 31 December 2008, the Company and its subsidiaries' deposits in Datang Finance amounted to Rmb 986,969,000 (2007: Rmb 600,296,000), with interest rate of 0.36% to 3.33% per annum (2007: 0.72% to 1.71%).
- (u) In 2008, the Company and its subsidiaries purchased some coal from Huaxia Datang. As at 31 December 2008, there was no balance due to Huaxia Datang regarding the purchase.
- (v) In 2008, the Company and its subsidiaries purchased some coal from Yunnan Datang Fuel. As at 31 December 2008, there was no balance due to Huaxia Datang regarding the purchase.
- (w) In 2008, the Company and its subsidiaries sold coal to Datang Guiguan. As at 31 December 2008, there was no balance due from Datang Guiguan regarding the sales.
- (x) In 2008, the Company and its subsidiaries provided transportation services to Datang Guiguan. As at 31 December 2008, there was no balance due from Datang Guiguan regarding the services.
- (y) In 2008, the Company and its subsidiaries sold coal to Jingneng Thermal. As at 31 December 2008, there was no balance due from Jingneng Thermal for the sales.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)
- (z) The Company and its subsidiaries purchased coal from Yuzhou Mining Company. As at 31 December 2008, the Company and its subsidiaries had a total balance of Rmb 20,377,000 (2007: Rmb 2,122,000) due to Yuzhou Mining Company, which was included in accounts payable.
- (aa) In 2008, the Company made payment on behalf for Tongfang Silicon and Aluminium and Deqin Hydropower with amount of Rmb 31,060,000 and Rmb 22,734,000, respectively, which were included in prepayment and other receivables.
- (ab) Pursuant to the Share Transfer Agreement entered into on 2 April 2008, the Company sold 35% of the interest in Lusigang Power Company to China Datang. The carrying value of the sold equity interest amounted to Rmb 98,778,000 and the selling price was Rmb 108,450,000.
- (ac) China Datang and the other shareholders of the Company's subsidiaries provided guarantee to the Company and its subsidiaries' loans with amount of Rmb 696 million and 1,567 million, respectively (2007: Rmb 805 million and Rmb 1,808 million) (Note 22 and Note 23).
- (ad) As at 31 December 2008, the Company provided guarantee for its associates' loans, including Datang Texin, Tashan Coal Mine and Tashan Power Company, according to the Company's shareholding percentage in these associates totalling approximately Rmb 616 million (2007: Rmb 862 million).
- (ae) As at 31 December 2008, the Company provided guarantees for the loans borrowed by Yuzhou Energy Company, a jointly controlled entity, according to its shareholding percentage, totalling approximately Rmb 542 million (2007: Rmb 567 million).

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)

Balances with the above related parties:

	2008	2007
Accounts receivable:		
– Datang Texin	133,898	83,011
– Datang Gansu Liangcheng Power	–	2,961
– China Water Resources and Power	37,230	10,189
– Tongfang Silicon and Aluminium	4,214	–
Notes receivable:		
– Datang Texin	10,000	8,000
Prepayment and other receivables		
– Datang Technologies	–	996
– Tongfang Silicon and Aluminium – Entrusted loans	–	47,751
– Tongfang Silicon and Aluminium – Others	31,060	–
– Deqin Hydropower	22,734	–
Long-term entrusted loans to subsidiaries and associates		
– Tongfang Silicon and Aluminium	50,104	–
Property, plant and equipment – construction-in-progress		
– China Water Resources and Power	990,587	–
Accounts payable and other accrued liabilities		
– NCEPR	6,929	12,796
– China Water Resources and Power	37,344	49,693
– Datang Technologies – equipment purchase	1,177	–
– Datang Technologies – construction service	1,034	–
– Datang Enertek	2,280	–
– Yuzhou Mining Company	20,377	2,122
– China Datang	–	6,471

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)

The PRC government controls a significant portion of the assets and a substantial number of entities in the PRC. The PRC government is the Company's ultimate controlling party. Apart from the transactions disclosed above, the Company and its subsidiaries also conduct a majority of its business with state-controlled entities.

Many state-controlled entities have a multi-layered and complicated corporate structure and the ownership structures change over time as a result of transfers and privatisation programs. Nevertheless, management believes that the Company and its subsidiaries have provided meaningful disclosure of related party transactions, with inclusion of the following disclosures of material transactions and balances with the state-controlled entities other than the aforementioned related party companies.

	2008	2007
Transactions with other state-controlled entities		
Sales of electricity	35,926,106	32,483,179
Sales of heat	104,539	89,209
Interest income from state-owned banks/ non-bank financial institution	56,331	64,907
Interest expense on loans borrowed from state-owned banks/non-bank financial institution	6,128,233	3,483,059
Purchases of property, plant and equipment (including construction-in-progress)	25,493,485	12,852,528
Purchases of fuel	22,584,637	13,931,157
Purchases of spare parts and consumable supplies	227,296	201,335
Drawdown of short-term loans from state-owned banks/non-bank financial institution	45,085,214	33,078,109
Repayments of short-term loans from state-owned banks/non-bank financial institution	40,089,215	19,235,296
Drawdown of long-term loans borrowed from state-owned banks/non-bank financial institution	31,555,430	13,168,148
Repayments of long-term loans borrowed from state-owned banks/non-bank financial institution	5,722,424	9,103,156

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)

Assets and liabilities with other state-controlled entities	As at 31 December 2008		As at 31 December 2007	
	Company and its subsidiaries	Company	Company and its subsidiaries	Company
Short-term bank deposits and cash at bank in state-owned banks/ non-bank financial institution	3,986,631	2,053,885	2,734,151	1,164,647
Prepayments for purchase of property, plant and equipment	6,214,402	9,259	2,951,744	2,124,131
Accounts payable for purchase of fuel	299,186	26,889	655,288	94,403
Accounts payable for purchase of spare parts and consumable supplies	69,365	—	80,242	13,179
Accounts payable for purchase of property, plant and equipment	965,564	130,486	2,122,250	589,678
Balance of short-term loans borrowed from state-owned banks/non-bank financial institution	27,048,669	12,802,587	20,216,151	4,800,000
Balance of long-term loans borrowed from state-owned banks/ non-bank financial institution (including current portion)	72,419,093	13,910,000	46,193,927	4,292,700

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

35. Related Party Transactions (Continued)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the year: (Continued)

	As at 31 December	
	2008	2007
Guaranteed loans		
Loans guaranteed by		
– North China Grid Company Limited	–	804,634
– Other state-controlled entities	1,215,301	1,856,578
(iii) Key management compensation		
Basic salaries and allowances	1,218	854
Bonus	2,434	1,853
Retirement benefits	204	166
Other benefits	849	1,849

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

36. Emoluments of Directors, Supervisors and Senior Managements

(a) Details of directors' and supervisors' emoluments

The remuneration of every director and supervisor for the year ended 31 December 2008 is set out below:

Directors and supervisors	Fees	Basic salaries and allowances	Bonus	Retirement benefits	Others	Total
Directors:						
Zhai Ruoyu	-	-	-	-	-	-
Zhang Yi	-	173	436	30	-	639
Cao Jingshan	-	113	124	18	7	262
Yang Hongming	-	-	-	-	-	-
Hu Shengmu	-	-	-	-	-	-
Fang Qinghai	-	-	-	-	-	-
Zhou Gang	-	154	263	23	6	446
Liu Haixia	-	-	-	-	-	-
Guan Tiangang	-	-	-	-	-	-
Su Tiegang	-	-	-	-	-	-
Ye Yonghui	-	-	-	-	-	-
Li Gengsheng	-	-	-	-	-	-
Xie Songlin	75	-	-	-	-	75
Yu Changchun	75	-	-	-	-	75
Liu Chaoan	75	-	-	-	-	75
Li Hengyuan	44	-	-	-	-	44
Xia Qing	75	-	-	-	-	75
Subtotal	344	440	823	71	13	1,691
Supervisors:						
Zhang Jie	-	157	349	28	93	627
Zhang Wantuo	-	-	-	-	-	-
Fu Guoqiang	-	-	-	-	-	-
Shi Xiaofan	-	155	300	28	170	653
Subtotal	-	312	649	56	263	1,280
Total	344	752	1,472	127	276	2,971

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

36. Emoluments of Directors, Supervisors and Senior Managements (Continued)

(a) Details of directors' and supervisors' emoluments (Continued)

The remuneration of every director and supervisor for the year ended 31 December 2007 is set out below:

Directors and supervisors	Fees	Basic salaries and allowances	Bonus	Retirement benefits	Others	Total
Directors:						
Zhai Ruoyu	-	-	-	-	-	-
Zhang Yi	-	173	246	28	407	854
Yang Hongming	-	106	284	26	382	798
Hu Shengmu	-	-	-	-	-	-
Fang Qinghai	-	-	-	-	-	-
Zhou Gang	-	78	92	5	47	222
Liu Haixia	-	-	-	-	-	-
Guan Tiangang	-	-	-	-	-	-
Su Tiegang	-	-	-	-	-	-
Ye Yonghui	-	-	-	-	-	-
Li Gengsheng	-	-	-	-	-	-
Xie Songlin	72	-	-	-	-	72
Yu Changchun	72	-	-	-	-	72
Liu Chaoan	72	-	-	-	-	72
Xia Qing	72	-	-	-	-	72
Subtotal	288	357	622	59	836	2,162
Supervisors:						
Zhang Jie	-	106	284	26	278	694
Zhang Wantuo	-	-	-	-	-	-
Fu Guoqiang	-	-	-	-	-	-
Shi Xiaofan	-	103	261	26	328	718
Subtotal	-	209	545	52	606	1,412
Total	288	566	1,167	111	1,442	3,574

There is no special bonus for directors and supervisors for the year ended 31 December 2008 (2007: Nil).

No director or supervisor had waived or agreed to waive any emoluments for the year ended 31 December 2008 (2007: Nil).

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

36. Emoluments of Directors, Supervisors and Senior Managements (Continued)

(b) Details of emoluments paid to the five highest paid individuals including directors and senior managements

The five individuals whose emoluments were the highest for the year include one (2007: one) director. The emoluments of the five individuals whose emoluments were the highest are as followings:

	2008	2007
Basic salaries and allowances	797	593
Bonus	1,783	1,359
Retirement benefits	138	132
Other benefits	484	1,703

For the years ended 31 December 2008 and 2007, no emoluments were paid to directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

For the years ended 31 December 2008 and 2007, the annual emoluments paid to each of the directors, supervisors and the five highest paid individual did not exceed HKD1,000,000.

37. Dividends

On 30 March 2009, the Board of Directors proposed a dividend per share of Rmb 0.11 based on the total number of shares as at 31 December 2008, the proposed dividends approximate Rmb 1,295,804,000.

In the general meeting held on 30 May 2008, the shareholders approved a cash dividend amounting to Rmb 1,408,582,000 in respect of the year ended 31 December 2007.

On 23 July 2007, the Company announced a bonus issue of 10 shares outstanding, with reference to the total 5,844,880,580 outstanding ordinary shares as at 18 July 2007. The increase in the number of ordinary shares resulted in an increase in share capital of the Company by Rmb 5,844,880,580 with a corresponding amount of reduction in capital reserve.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

38. Earnings Per Share

The calculation of basic earnings per share for the year ended 31 December 2008 was based on the profit attributable to equity holders of the Company of approximately Rmb 761,335,000 (2007: Rmb 3,564,406,000) and on the weighted average number of 11,749,253,000 shares (2007:11,612,449,000 shares).

In 2007, the diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bonds are assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expenses less the tax effect.

	2008	2007
Profit attributable to equity holders of the Company	761,335	3,564,406
Interest expense on convertible bonds (net of tax)	—	3,915
<hr/>	<hr/>	<hr/>
Profit used to determine diluted earnings per share	761,335	3,568,321
Weighted average number of ordinary shares in issue (shares in thousand)	11,749,253	11,612,449
Adjustments for assumed conversion of convertible bonds (shares in thousand)	—	45,087
<hr/>	<hr/>	<hr/>
Weighted average number of ordinary shares for diluted earnings per share (shares in thousand)	11,749,253	11,657,536
Diluted earnings per share (Rmb)	0.06	0.31

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

39. Notes to Statement of Cash Flows

(a) Reconciliation of profit before taxation to cash generated from operations

	Note	2008	2007
Profit before taxation		612,185	6,063,347
Adjustments for:			
Depreciation of property, plant and equipment		6,158,729	4,912,604
Amortisation of land use rights and intangible assets		23,561	29,243
Fair value loss on an interest rate swap	33	8,551	36,018
Amortisation of staff housing benefits		67,476	83,162
(Gains)/Losses on disposals of property, plant and equipment		(37,936)	60,594
Interest income		(83,395)	(66,765)
Interest expenses		3,753,244	2,212,536
Exchange gain		(145,953)	(188,093)
Dividend income		(50,729)	(51,899)
Interest income from entrusted loans to an associate		(3,127)	(153)
Share of gains from associates and jointly controlled entities		(370,518)	(136,162)
Operating profit before working capital changes		9,932,088	12,954,432
(Increase)/Decrease in current assets:			
Inventories		(1,138,691)	(185,326)
Other receivables and current assets		(1,749,588)	179,658
Accounts receivable		1,030,658	(633,584)
Notes receivable		349,224	(716,509)
Increase/(Decrease) in current liabilities:			
Accounts payable and accrued liabilities		(145,069)	158,455
Taxes payable		(463,363)	(7,233)
Cash generated from operations		7,815,259	11,749,893

In order to mitigate inconsistency across different capital markets, the Company and its subsidiaries reclassified dividend paid from operating activities to financing activities and interest received from investing activities to operating activities in the current year. Prior year figure is reclassified accordingly. Management of the Company believes that this would give a more meaningful presentation.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

39. Notes to Statement of Cash Flows (Continued)

(b) Undrawn borrowing facilities

The undrawn borrowing facilities in Rmb and USD available to settle the Company's capital commitments for investments in subsidiaries and associates and construction of electricity utility plants as at 31 December 2008, subject to certain conditions, were as follows:

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Expiring within one year	12,323,000	12,975,450	12,323,000	12,975,450
Expiring beyond one year	25,839,767	42,093,782	25,839,767	42,093,782
	<u>38,162,767</u>	<u>55,069,232</u>	<u>38,162,767</u>	<u>55,069,232</u>

40. Business Combination

(a) Acquisition of True busy Company

In January 2008, Datang Hong Kong entered into an agreement with Zhenxing Group Co., Ltd. and Zeng Wei to acquire 70% and 20% interest in True busy Company which owned 100% of the equity interest in Zhiganglaka Company, with a total consideration of Rmb 640 million. This acquisition became effective on 10 March 2008.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

40. Business Combination (Continued)

(a) Acquisition of True busy Company (Continued)

The details of net assets acquired and the related cash flow arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value
Cash and cash equivalents	3,185	3,185
Receivables and current assets	73,330	73,330
Property, plant and equipment	1,302,980	1,334,370
Loans	(957,380)	(957,380)
Accounts payable and accrued liabilities	(36,809)	(36,809)
Other liabilities	(2,807)	(9,690)
<u>Net assets</u>	<u>382,499</u>	<u>407,006</u>
Net assets acquired (90%)		366,305
Add: goodwill (Note 13)		<u>273,795</u>
<u>Total consideration</u>		<u>640,100</u>
In which cash consideration paid		(610,100)
Cash inflow on acquisition		<u>3,185</u>
<u>Net cash outflow on acquisition</u>		<u>(606,915)</u>

The acquired business contributed revenues of Rmb 112 million and net profit of Rmb 8.61 million to the consolidated operating results for the period from 10 March 2008 to 31 December 2008. If the acquisition had occurred on 1 January 2008, its contribution would be Rmb 131 million to the revenue and Rmb 4.51 million to the net profit.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

40. Business Combination (Continued)

(b) Acquisition of Zhunge'er Mining Company

In January 2008, the Company entered into an agreement with Inner Mongolia Changqing Coal Sales Co., Ltd., Zhongnengyuan Power Fuel Co., Ltd. and some individual shareholders of Zhunge'er Mining Company to acquire 32% interest in Zhunge'er Mining Company, with a total consideration of Rmb 256 million. This acquisition became effective on 1 February 2008. In addition, in February 2008, the Company entered into an agreement with Inner Mongolia Changqing Coal Sales Co., Ltd. to acquire 20% interest in Zhunge'er Mining Company, with a consideration of Rmb 178 million. This acquisition became effective on 11 March 2008. Thereafter the Company controlled 52% interest in Zhunge'er Mining Company and became the controlling shareholder.

The details of net assets acquired and the related cash flow arising from this acquisition are as follows:

	On the first acquisition date	
	Acquiree's carrying value	Fair value
Cash and cash equivalents	4	4
Property, plant and equipment	300	360
Intangible assets	8,884	800,319
Tax payables	(162)	(162)
Other liabilities	—	(197,369)
Net assets	9,026	603,152
Net assets acquired (32%)		193,009
Add: goodwill (Note 13)		63,144
Total consideration		256,153

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

40. Business Combination (Continued)

(b) Acquisition of Zhunge'er Mining Company (Continued)

	On the second acquisition date	
	Acquiree's carrying value	Fair value
Cash and cash equivalents	4	4
Property, plant and equipment	297	357
Intangible assets	8,884	800,319
Tax payables	(162)	(162)
Other liabilities	—	(197,369)
Net assets	9,023	603,149
Net assets acquired (20%)		120,629
Add: goodwill (Note 13)		57,033
Total consideration		177,662
Cash consideration paid for the first acquisition		(256,153)
Cash consideration paid for the second acquisition		(177,662)
Cash inflow on acquisition		4
Net cash outflow on acquisition		(433,811)

During the year ended 31 December 2008, Zhunge'er Mining Company was still at early stage of construction. As such, the acquisition does not have any impact to the consolidated revenue or profit.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

40. Business Combination (Continued)

(c) Acquisition of Zhongqiang Company

In February 2008, the Company entered into an agreement with Fushan Jietong Industrial Co., Ltd. and Ji Hongping to make an investment of Rmb 500 million to hold 48% interest in Zhongqiang Company and then acquire another 3% interest in Zhongqiang Company from Ji Hongping with a consideration of Rmb 45 million. This acquisition became effective on 23 May 2008. The Company controlled 51% interest in Zhongqiang Company and became the controlling shareholder.

The details of net assets acquired and the related cash flow arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value
Cash and cash equivalents	539,438	539,438
Other receivables and current assets	101,335	101,335
Property, plant and equipment	86,673	86,534
Intangible assets	–	545,129
Accounts payable and accrued liabilities	(8,330)	(8,330)
Other liabilities	(223,373)	(359,620)
<hr/>		
Net assets	495,743	904,486
<hr/>		
Net assets acquired (51%)		461,288
<hr/>		
Add: goodwill (Note 13)		83,712
<hr/>		
Total consideration		545,000
<hr/>		
Cash consideration paid for the acquisition		(500,000)
<hr/>		
Cash inflow on acquisition		539,438
<hr/>		
Net cash inflow on acquisition		39,438

During the year ended 31 December 2008, Zhongqiang Company was still at early stage of construction. As such, the acquisition does not have any impact to the consolidated revenue or profit.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

40. Business Combination (Continued)

(c) Acquisition of Zhongqiang Company (Continued)

On 22 December 2008, the Company entered into agreements with the other two shareholders of Zhongqiang Company, pursuant to which the Company will withdraw the investment in Zhongqiang Company. On 31 December 2008, the settlement was not completed and the Company maintained control over Zhongqiang Company, therefore the Company reclassified the assets and liabilities of Zhongqiang Company as assets and liabilities held for sale (Note 29).

(d) Acquisition of Qian'an Thermal Power Company

On 1 January 2008, Tangshan Thermal Power Company entered into agreements with one shareholder of Qian'an Thermal Power Company, who holds 18% of the equity interest in this company. Pursuant to this agreement, that shareholder will act in concert with Tangshan Thermal Power Company in the financial and operation decision making of this company. Therefore Tangshan Thermal Power Company obtained effective control over this company and accounted this company as a subsidiary since 1 January 2008.

The details of net assets acquired and the related cash flow arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value
Cash and cash equivalents	36,823	36,823
Receivables and current assets	53,377	53,377
Property, plant and equipment	867,263	867,263
Intangible assets	844	844
Loans	(752,160)	(752,160)
Accounts payable and accrued liabilities	(196,938)	(196,938)
Net assets	9,209	9,209
Net assets acquired (36%)		3,315
Total consideration – value of investment in associate that was derecognised upon this business combination (Note 9)		(3,315)
Cash inflow on acquisition		36,823
Net cash inflow on acquisition		36,823

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

40. Business Combination (Continued)

(d) Acquisition of Qian'an Thermal Power Company (Continued)

The acquired business contributed revenues of Rmb 297 million and net loss of Rmb 99.36 million to the consolidated operating results for the period from 1 January 2008 to 31 December 2008.

(e) Acquisition of Hohhot Thermal Company

On 15 January 2007, the Company entered into agreements with Tuoketuo Yunlong Energy Investment Company Limited, pursuant to which the Company acquired 51% interest in Hohhot Thermal Company. This acquisition became effective on 15 January 2007.

The details of net assets acquired, goodwill and the related cash flow arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value*
Cash and cash equivalents	151,665	151,665
Inventories and other current assets	108,140	108,140
Property, plant and equipment	731,706	731,706
Current liabilities	(240,581)	(240,581)
Non-current liabilities	(740,930)	(740,930)
Net assets	10,000	10,000
Net assets acquired (51%)		5,100
Add: goodwill		902
Total consideration paid		(6,002)
Cash inflow from the acquiree		77,349
Net cash inflow on acquisition		71,347

* Since the acquiree was still under construction upon the acquisition, the directors deemed that its carrying value approximated its fair value.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

40. Business Combination (Continued)

(e) Acquisition of Hohhot Thermal Company (Continued)

The acquired business contributed nil revenue and net loss of Rmb 3 million to the consolidated operation results. If the acquisition had occurred on 1 January 2007, the acquired business would contribute nil revenue and net loss of Rmb 3 million to the consolidated operation results.

(f) Acquisition of Xinyu Power Company

On 1 October 2007, the Company entered into an agreement with Jiangxi Provincial Investment Group Corporation, pursuant to which the Company acquired 100% interest in Xinyu Power Company. This acquisition became effective on 1 October 2007

The details of net assets acquired, goodwill and the related cash flow arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value
Cash and cash equivalents	7,991	7,991
Inventories and other current assets	114,562	114,562
Property, plant and equipment	413,099	767,799
Other non-current assets	13,893	14,888
Current liabilities	(904,634)	(904,634)
Non-current liabilities	(15,508)	(104,967)
Net assets	(370,597)	(104,361)
Net assets acquired (100%)		(104,361)
Add: goodwill		104,361
Total consideration paid		(0.001)
Cash inflow on acquisition		7,991
Net cash inflow on acquisition		7,991

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

40. Business Combination (Continued)

(f) Acquisition of Xinyu Power Company (Continued)

The acquired business contributed revenues of Rmb 148 million and net profit of Rmb 3 million to the consolidated operating results for the period from 1 October 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, its contribution would be Rmb 629 million to the revenue and Rmb 398 million to the net profit.

41. Commitments

(a) Capital commitments

As at 31 December 2008, the Company had capital commitments related to investments in subsidiaries and associates amounted to Rmb 14,390 million (2007: Rmb 13,423 million). In addition, capital commitments of the Company and its subsidiaries in relation to the construction and renovation of the electricity utility plants not provided for in the balance sheets were as follows:

	Company and its Subsidiaries		Company	
	2008	2007	2008	2007
Authorised and contracted for	29,009,883	34,189,419	6,336,010	8,691,599
Authorised but not contracted for	16,142,760	19,999,208	111,424	1,021,334
	<u>45,152,643</u>	<u>54,188,627</u>	<u>6,447,434</u>	<u>9,712,933</u>

A substantial portion of the above capital commitment is in relation to a coal mining project for which the Company and its subsidiaries has not yet obtained the relevant mining license. If the mining license is not obtained at the end of the exploration work, there will be no capital commitment.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

41. Commitments (Continued)

(b) Operating lease commitments

Total future minimum lease payments under non-cancellable operating lease in relation to buildings were as follows:

	Company and its subsidiaries	
	2008	2007
Within one year	11,483	11,391
Between one to five years	30,884	37,273
Over five years	21,683	28,913
	<u>64,050</u>	<u>77,577</u>

42. Financial Guarantees

	Company and its subsidiaries		Company	
	As at 31 December		As at 31 December	
	2008	2007	2008	2007
Guarantees for loan facilities				
– granted to associates	615,930	862,250	615,930	862,250
– granted to a jointly controlled entity	541,500	566,500	541,500	566,500
– granted to other investees	167,250	191,250	–	–

Based on historical experience, no claims have been made against the Company and its subsidiaries since the dates of granting the financial guarantees described above.

Notes to the Financial Statements

For the year ended 31 December 2008

(All amounts expressed in thousands of Rmb unless otherwise stated)

43. Additional Financial Information

As at 31 December 2008, net current liabilities and total assets less current liabilities of the Company and its subsidiaries amounted to approximately Rmb 38,336 million (2007: Rmb 29,105 million) and Rmb 103,816 million (2007: Rmb 79,493 million), respectively.

Net Assets and Net Profit Reconciliation between PRC GAAP and IFRS

The consolidated financial statements prepared by Datang International Power Generation Co., Ltd. ("the Company") and its subsidiaries in conformity with the Accounting Standards for Business Enterprises ("PRC GAAP"), is different from that prepared in accordance with International Financial Reporting Standards ("IFRS") in certain respects. Impact of IFRS adjustments on net assets and net profit in financial statements of the Company and its subsidiaries are summarized as follow:

		Net assets	
		31 December	
Note	2008	2007	
	RMB'000	RMB'000	(Restated)
Net assets under PRC GAAP	30,550,780	34,185,042	
Impact of IFRS adjustments:			
Difference in the recognition policy on housing benefits to the employees	(a) —	37,346	
Difference in the commencement of depreciation of fixed assets	(b) (106,466)	(106,466)	
Difference in accounting treatment on monetary housing benefits	(c) 193,468	223,598	
Others	—	(1,722)	
Applicable deferred tax impact of the above GAAP differences	(d) 6,685	16,959	
Net assets under IFRS	30,644,467	34,354,757	
		Net profit	
		31 December	
Note	2008	2007	
	RMB'000	RMB'000	(Restated)
Net profit under PRC GAAP	616,405	4,648,106	
Impact of IFRS adjustments:			
Difference in the recognition policy on housing benefits to the employees	(a) (37,346)	(37,346)	
Difference in accounting treatment on monetary housing benefits	(c) (30,130)	(45,815)	
Others	1,722	15,528	
Applicable deferred tax impact of the above GAAP differences	(d) (10,277)	(14,676)	
Net assets under IFRS	540,374	4,565,797	

Net Assets and Net Profit Reconciliation between PRC GAAP and IFRS (Cont'd)

(a) Difference in the recognition policy on housing benefits to the employees

The Company and its subsidiaries provided housing to its employees at a discount price. The price difference between the selling price and the cost of housing is considered as housing benefits and is borne by the Company and its subsidiaries.

For PRC statutory reporting purposes, in accordance with the relevant regulations issued by the Ministry of Finance of the PRC, the total housing benefits provided by the Company before 6 September 2000 should be directly deducted from the statutory public welfare fund and those provided after 6 September 2000 are charged to non-operating expenses as incurred. Under IFRS, the housing benefits provided by the Company and its subsidiaries are recognised on a straight-line basis over the estimated remaining average service lives of the employees.

(b) Difference in the commencement of depreciation of fixed assets

This represents the depreciation difference arose from the difference timings of the start of depreciation charge in previous years.

(c) Difference in accounting treatment on monetary housing benefits

Under PRC GAAP, the monetary housing benefits provided to employees who started work before 31 December 1998 were directly deducted from retained earnings and statutory public welfare fund after approved by the Shareholders meeting of the Company and its subsidiaries.

Under IFRS, these benefits are recorded as deferred assets and amortised on a straight-line basis over the estimated service lives of relevant employees.

(d) Applicable deferred tax impact of the above GAAP differences

This represents deferred tax effect on the above GAAP difference where applicable.

Corporate Information

Registered Name of the Company

大唐國際發電股份有限公司

English Name of the Company

Datang International Power Generation Company Limited

Office Address of the Company

No. 9 Guangningbo Street
Xicheng District
Beijing
People's Republic of China

Principal Place of Business in Hong Kong

Stephen Mok & Co
21/F, ICBC Tower
Citibank Plaza
3 Garden Road
Hong Kong

Legal Representative

Zhai Ruoyu

Authorised Representatives

Cao Jingshan
Zhou Gang

Secretary to the Board

Zhou Gang

Principal Bankers

In the PRC:

Industrial and Commercial Bank of
China, Xuanwu Branch
No. 3 Nanbinhe Road
Xuanwu District
Beijing
People's Republic of China

Outside the PRC:

Bank of China, Hong Kong Branch
One Garden Road
Central
Hong Kong

Domestic Auditors

PricewaterhouseCoopers Zhong Tian CPAs
Limited Company
11th Floor, PricewaterhouseCoopers Center
202 Hu Bin Road,
Shanghai, The People's Republic of China

International Auditors

PricewaterhouseCoopers
Certified Public Accountants
22nd Floor, Prince's Building
Central
Hong Kong

Legal Advisors

as to PRC law:

Beijing Hylands Law Firm
5A1, East Zone
Hanwei Plaza
No. 7 Guanghua Road
Chaoyang District
Beijing
People's Republic of China

as to Hong Kong law:

Stephen Mok & Co
21/F, ICBC Tower
Citibank Plaza
3 Garden Road
Hong Kong

Listing Information

H Shares

The Stock Exchange of Hong Kong Limited
Code: 0991

A Shares

Shanghai Stock Exchange
Code: 601991

H Shares

The London Stock Exchange Limited
Code: DAT

Share Register and Transfer Office

Computershare Hong Kong Investor Services Limited
46/F, Hopewell Center
183 Queen's Road East
Wanchai
Hong Kong

Information of the Company

Available at:

The secretary office of the Board
Datang International Power Generation
Company Limited
No. 9 Guangningbo Street
Xicheng District
Beijing
People's Republic of China
and
Rikes Hill & Knowlton Limited
Room 1312, Wing On Centre
111 Connaught Road Central
Hong Kong

Glossary of Terms

The following terms have the following meaning in this annual report, unless otherwise required by the context.

“North China Power”	The power transmission network covering Beijing, Tianjin, Hebei Province, Shanxi Province and Inner Mongolia Autonomous Region
“Installed capacity”	The highest level of electrical output which a power plant is designed to be able to maintain continuously without causing damage to the plant
“Gross generation”	For a specified period, the total amount of electrical power produced by a power plant in that period including electrical power consumed in the operation of the power plant
“Total on-grid generation”	The amount of power transmitted to a power network from a power plant as measured by the grid meter
“Equivalent availability factor”	For a specified period and a given power plant, the ratio (usually expressed as a percentage) of the number of available hours in that period (reduced, in the case of hours in which the attainable generating capacity of such plant is less than the installed capacity, by the proportion of installed capacity not so attainable) to the total number of hours in that period
“Utilisation hours”	For a specified period, the number of hours it would take for a power plant operating at installed capacity to generate the amount of electricity actually produced in that period
“MW”	1,000,000 watts (equivalent to 1,000 kW)
“kWh”	A unit of power generation equivalent to the output generated by 1,000 watts of power in one hour
“MWh”	A unit of power generation equivalent to the output generated by 1,000,000 watts of power in one hour



大唐国际发电股份有限公司
DATANG INTERNATIONAL POWER GENERATION CO., LTD.