



Interim Results

The board of directors (the "Board") of Datang International Power Generation Co., Ltd. (the "Company") hereby announces the unaudited operating results of the Company and its subsidiaries for the six months ended 30th June 2004 (the "Period") prepared in accordance with the International Financial Reporting Standards. Such operating results have been reviewed and confirmed by the Company's audit committee (the "Audit Committee").

Consolidated operating revenue of the Company for the Period amounted to approximately Rmb6,041 million, while consolidated net profit of the Company was approximately Rmb1,113 million. Basic earnings per share of the Company was approximately Rmb0.22 for the Period.

The Board is satisfied with the above results. Please refer to the unaudited condensed consolidated financial statements as set out on page 17 to 38 for detailed operating results.

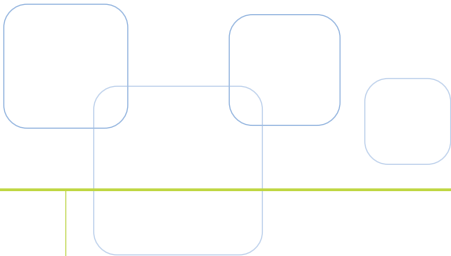


Management Discussion and Analysis

The People's Republic of China (the "PRC") achieved gross domestic product ("GDP") growth of 9.70% during the Period. Driven by domestic economic growth, power demand in the PRC increased substantially. Aggregate social power consumption during the Period increased by 15.77% as compared to the corresponding period of the previous year. Power generation by the Company and its subsidiaries during the Period increased by 37.72% as compared to the corresponding period of the previous year. Consolidated operating revenue and consolidated net profit during the Period increased by 34.20% and 41.89%, respectively, as compared to the corresponding period of the previous year.

1. Production

As at 30th June 2004, the installed capacity of operating units owned by the Company and its subsidiaries was 8,110MW. Total power generation amounted to approximately 25.123 million MWh during the Period, representing an increase of approximately 37.72% as compared to the corresponding period of the previous year. Total on-grid electricity amounted to approximately 23.578 million MWh during the Period, representing an increase of 37.77% as compared to the corresponding period of the previous year. The increase in power generation and on-grid electricity during the Period was mainly attributable to: (1) increase in installed capacity as compared to the corresponding period of the previous year – Unit 2 of Inner Mongolia Datang Tuoketuo Power Generation Company Limited ("Datang Tuoketuo") and Units 1 and 2 of Shanxi Datang International Yungang Thermal Power Company Limited ("Datang Yungang") were put into operation in the second half of 2003, respectively, and Unit 1 of Hebei Datang International Tangshan Thermal Power Company Limited ("Datang Tangshan") was put into operation in the first quarter of 2004. As such, the installed capacity of the Company for the Period has increased by 1,340MW as compared to the corresponding period of the previous year; (2) continued increase in power demand – merely the sales of power to the Beijing-Tianjin-Tangshan ("BTT") Power Grid has increased by 18.06% while utilisation ratio of power plants has increased by 4.4% as compared to the corresponding period of the previous year; (3) safe and



stable operation of the existing units at high operating levels – the equivalent availability factor of the Company's managed units for the Period reached 93.13%, representing an increase of 0.98 percentage point as compared to the corresponding period of the previous year; and (4) secured fuel supply – fuel supply was tight since the fourth quarter of the previous year. The Company proactively coordinated to further secure coal supply for its power generation and hence, smooth operation was ensured.

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

- The power generation of the Company's wholly-owned power plants, namely Gao Jing Thermal Power Plant, Dou He Power Plant, Zhang Jia Kou Power Plant and Xia Hua Yuan Power Plant, with a total installed capacity of 4,950MW, was approximately 15.418 million MWh during the Period, representing an increase of 8.02% as compared to the corresponding period of the previous year.
- The power generation of the Company's subsidiaries, namely Tianjin Datang Panshan Power Generation Limited, Hebei Datang International Huaze Hydropower Development Company Limited ("Fengning Hydropower"), Datang Tuoketuo, Datang Yungang and Datang Tangshan, with a total installed capacity of 3,160MW, was approximately 9.704 million MWh during the Period, representing an increase of 144.58% as compared to the corresponding period of the previous year.



2. Operational Management

The Company and its subsidiaries achieved a consolidated operating revenue of approximately Rmb6,041 million during the Period, representing an increase of approximately 34.20% as compared to the corresponding period of the previous year. The increase in consolidated operating revenue was mainly attributable to the increase in on-grid electricity of the Company and its subsidiaries.

During the Period, the Company and its subsidiaries achieved a consolidated net profit of approximately Rmb1,113 million, representing an increase of 41.89% as compared to the corresponding period of the previous year. The substantial increase in the consolidated net profit was mainly attributable to: (1) the increase in on-grid electricity of the Company and its subsidiaries; (2) the increase in proportion of low cost power generation. Due to fuel price increase during the Period, fuel costs of the Company and its subsidiaries increased substantially as compared to the corresponding period of the previous year. In addition to its proactive and effective measures, the Company achieved fruitful results in carrying out its strategy of power plant development in the regions where it has cost advantages. Increase in low-fuel-cost power generation from power plants such as Datang Tuoketuo has effectively kept the Company's fuel cost increase under check. Despite the increase in unit fuel cost of existing power plants by approximately 10%, there was a period-on-period decrease of 1.59% in unit fuel costs across-the-board; (3) finance costs reduced due to the change of fair value of the US dollar interest rate swap of Datang Tuoketuo; and (4) the Company and its subsidiaries continued to implement effective energy saving measures and improve the operating efficiencies of its generating units, resulting in a decrease in consolidated self electricity consumption rate of the plants by approximately 0.03 percentage point during the Period as compared to the corresponding period of the previous year, and a decrease of 2.5g/kWh during the Period in coal consumption rate as compared to the corresponding period of the previous year.



3. Business Expansion

During the Period, while continuously and proactively implementing the expansion strategy, the Company also placed much emphasis on the management of construction-in-progress and pre-construction projects. Currently, the progress of the construction-in-progress and pre-construction projects are as follows:

(1) *Projects which have commenced production:*

- Unit 1 (1X300MW) of Datang Tangshan was put into commercial operation in March 2004.
- Unit 3 (1X600MW) of Datang Tuoketuo commenced commercial operation in August 2004.

(2) *Construction-in-progress:*

- Unit 4 (1X600MW) of Datang Tuoketuo, Unit 2 (1X300MW) of Datang Tangshan, Unit 1 (1X500MW) of Shanxi Datang Shentou Power Generation Company Limited, Unit 1 (1X300MW) of Gansu Datang Liancheng Power Generation Company Limited are expected to start power generation as of 2004.
- The coal-fired units (2X300MW) to be installed by Yunnan Datang Honghe Power Generation Development Company Limited has commenced construction.
- Generating units (3X50MW) of Yunnan Datang Nalan Hydropower Development Company Limited and Yayangshan Hydropower Project (2X60MW), one of the construction projects of Yunnan Datang Lixianjiang Hydropower Development Company Limited, have progressed smoothly.



(3) *Pre-construction projects:*

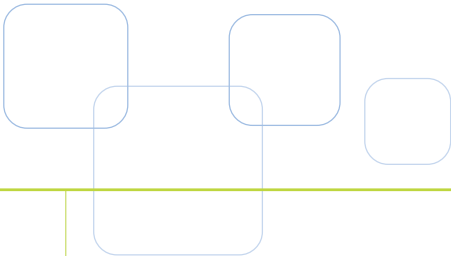
- The Company's proposal with respect to the construction of Pengshui Hydropower Project by Chongqing Datang Pengshui Hydropower Development Company Limited ("Pengshui Hydropower") was approved by the National Development and Reform Commission (the "NDRC") on 3rd August 2004. The Company holds 40% equity interest of Pengshui Hydropower. Pengshui Hydropower Project is located in Pengshui, Chongqing City and has been included in the State's "Tenth Five-Year Plan". Pengshui Hydropower Project has five 350MW units and is expected to commence power generation in 2007.
- The project proposal with respect to Phase 3 of Datang Tuoketuo (2X600MW) was approved by the NDRC on 4th August 2004. To date, Datang Tuoketuo's operated and constructed capacity totalled 3,600MW.

4. Financial Analysis

(1) *Operating Results*

During the Period, the Company and its subsidiaries achieved consolidated net profit of approximately Rmb1,113 million, representing an increase of approximately 41.89% as compared to the corresponding period of the previous year. Basic earnings per share of the Company was approximately Rmb0.22 for the Period, representing an increase of approximately Rmb0.07 per share as compared to the corresponding period of the previous year.

- Operating revenue: consolidated operating revenue of the Company and its subsidiaries for the Period amounted to approximately Rmb6,041 million, representing an increase of 34.20% as compared to the corresponding period of the previous year.

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- Operating costs: consolidated operating costs of the Company and its subsidiaries for the Period amounted to Rmb4,137 million, representing an increase of approximately 32.20% as compared to the corresponding period of the previous year. Among the increase, fuel costs were approximately Rmb2,061 million, 35.19% higher as compared to the corresponding period of the previous year. This was mainly attributable to increase in on-grid electricity and fuel prices. However, with appropriate adjustments made to power generation structure and effective energy saving measures, unit fuel cost was reduced by 1.59% as compared to the corresponding period of the previous year. Depreciation of fixed assets increased by approximately 38.66% as compared to the corresponding period of the previous year mainly because of additional depreciation of Units 1 and 2 of Datang Tuoketuo and Units 1 and 2 of Datang Yungang which were put into operation in the middle and the second half of 2003, respectively, and Unit 1 of Datang Tangshan which was put into operation during the Period.
 - Finance costs: finance costs of the Company for the Period decreased by approximately 32.23% as compared to the corresponding period of the previous year, which was mainly attributable to the change of fair value of the US dollar interest rate swap of Datang Tuoketuo.

(2) *Financial Position*

As at 30th June 2004, total consolidated assets of the Company and its subsidiaries amounted to approximately Rmb42,226 million, representing an increase of approximately Rmb6,682 million as compared to 31st December 2003. Total consolidated liabilities of the Company amounted to approximately Rmb24,867 million, representing an increase of approximately Rmb6,285 million as compared to 31st December 2003. Minority interests of the Company amounted to approximately Rmb1,429 million, representing an increase of approximately Rmb189 million as compared to 31st December 2003. Shareholders' equity of the Company amounted to approximately Rmb15,931 million, representing an increase of approximately Rmb210 million as compared to 31st December 2003. The increase in total assets of the Company mainly resulted from the implementation of the Company's expansion strategy and the increase in investments in construction-in-progress.



(3) *Liquidity*

As at 30th June 2004, the asset-to-liability ratio (i.e. the ratio between total liabilities and total assets, excluding minority interests) for the Company was 58.89%. The net debt-to-equity ratio [i.e. (total loans + convertible bonds – cash and cash equivalents – short-term bank deposit with a maturity of over 3 months – investments held for trading) / shareholders' equity] of the Company was 97.89%.

(4) *Cash*

As at 30th June 2004, total cash and cash equivalents and short-term bank deposits with a maturity of over 3 months of the Company amounted to approximately Rmb5,922 million, among which the equivalent of approximately Rmb1,462 million was in foreign currencies. The Company has no entrusted deposits or overdue fixed deposits during the Period.

(5) *Loan*

As at 30th June 2004, short-term loans of the Company and its subsidiaries amounted to approximately Rmb5,079 million, bearing annual interest rates ranging from 2.88% to 4.78%. Long-term loans of the Company (excluding those due within 1 year) amounted to approximately Rmb14,513 million and long-term loans due within 1 year amounted to approximately Rmb869 million at annual interest rates ranging from 2.88% to 5.76%, of which an equivalent of approximately Rmb3,611 million was denominated in US Dollars. The convertible bond of the Company was denominated in US Dollars and equivalent to Rmb1,055 million. The Company and its subsidiaries pay active attention to foreign exchange rate fluctuations and constantly assess foreign currency risks.

As at 30th June 2004, the guarantee provided by the Company for the loans of its subsidiaries amounted to approximately Rmb8,867 million. Other than that, the Company had not provided guarantee in whatever forms for any other company.



5. Outlook

In the first half of 2004, the PRC government has issued several documents which have significant impact on the tariffs of the Company. The documents set clearly the tariff levels of units under different circumstances. Thus, on-grid electricity tariffs are clearly set for the Company's existing units, new units and construction-in-progress, which create favourable effects for the Company from this year onwards. Although the continued domestic economic growth is beneficial to the business development of the Company, the increase in fuel prices will affect its operating results. Therefore, based on the market conditions and the operation targets set by the Board at the beginning of the year, the Company will proactively carry on various tasks, namely fully utilise the favourable market environment and make good use of its competitive edges in order to develop the domestic and international business; make down-to-earth efforts to improve on fundamentals such as controlling costs effectively, ensuring safe production, and strengthening fuel management to ensure sufficient supply of coal for electricity generation; and continue to implement energy saving measures, strive to increase electricity generation and revenue and to attain improved economies of scale.

Share Capital and Dividends

1. Share Capital

No new shares were issued by the Company during the Period. As at 30th June 2004, the total share capital of the Company was Rmb5,162,849,000, divided into 5,162,849,000 shares of Rmb1.00 each.

2. Substantial Shareholders

During the Period, the following persons (other than a director, chief executive or supervisor of the Company) have interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company pursuant to section 336 of the Securities and Futures Ordinance (Chapter 571) ("SFO"):

Name of shareholder	Class of shares	Number of shares	Percentage of share capital held (%)
China Datang Corporation	Domestic Shares*	1,828,768,200	35.43
Beijing International Power Development and Investment Company	Domestic Shares*	671,792,400	13.01
Hebei Construction Investment Company	Domestic Shares*	671,792,400	13.01
Tianjin Jinneng Investment Company	Domestic Shares*	559,827,000	10.84

* Shareholder's own interest in the long position



3. Dividends

Pursuant to a resolution at meeting of the Board on 17th March 2004 and as approved at the annual general meeting held on 22nd June 2004, the Company declared a dividend of Rmb0.175 per share for year 2003 payable to shareholders of the Company whose names appear on the Company's register of members as at 22nd May 2004. The above-mentioned dividend has been paid by 30th June 2004 and dividends to domestic shares shareholders were declared and paid in Rmb. Dividends to overseas shares (the "H Shares") shareholders were declared in Rmb and paid in Hong Kong Dollars.

The Board does not recommend the payment of any interim dividend for year 2004.

4. Shareholdings of Directors and Supervisors

At any time during the Period, none of the directors, supervisors, senior executives of the Company or their connected parties held or were deemed to hold any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in the SFO), nor were they granted any rights to subscribe for or acquire any interests in shares or debentures of the Company or any of its associated corporations.



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

During the Period, the Company had not purchased, sold or redeemed any of its listed securities.



Significant Event

At the 2004 extraordinary general meeting, class meeting of the holders of H Shares and class meeting of the holders of domestic shares convened on 22nd June 2004, the Board was approved to make final decision in relation to the proposal of the issue of not more than 1,000,000,000 A shares of the Company.



Code of Best Practice

During the Period, the Company has complied with the Code of Best Practice set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.



Audit Committee

The Audit Committee of the Company, together with the management, has reviewed the accounting principles, accounting standards and accounting practices adopted by the Company, and has discussed the issues on internal controls. It has also reviewed the unaudited condensed consolidated financial statements for the six months ended 30th June 2004.

By Order of the Board
Zhai Ruoyu
Chairman

Beijing, PRC, 23rd August 2004

Condensed Consolidated Balance Sheet *(Unaudited)*

As at 30 June 2004
(Amounts expressed in thousands of Renminbi ("Rmb"))

	Note	30 June 2004	31 December 2003
ASSETS			
Non-current assets			
Property, plant and equipment, net		33,712,078	27,846,705
Investments in associates		400,238	224,435
Available-for-sale investments		158,720	155,620
Goodwill		36,357	39,153
Deferred housing benefits		168,059	186,732
Long-term deposit		100,000	100,000
Deferred tax assets		45,060	49,842
		34,620,512	28,602,487
Current assets			
Inventories		376,235	342,834
Other receivables and current assets		205,639	135,142
Accounts receivable		1,101,808	1,035,870
Short-term bank deposits over three months		919,665	1,272,074
Cash and cash equivalents	3	5,002,227	4,155,484
		7,605,574	6,941,404
Total assets		42,226,086	35,543,891

Condensed Consolidated Balance Sheet *(Unaudited)* (cont'd)

As at 30 June 2004
(Amounts expressed in thousands of Renminbi ("Rmb"))

	Note	30 June 2004	31 December 2003
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital		5,162,849	5,162,849
Reserves		10,767,764	10,558,483
Total shareholders' equity		15,930,613	15,721,332
Minority interests		1,428,549	1,240,427
Non-current liabilities			
Long-term loans	11	14,512,793	10,306,487
Convertible bond	5	1,054,564	1,031,722
Deferred tax liabilities		135,062	124,805
		15,702,419	11,463,014
Current liabilities			
Accounts payable and accrued liabilities	4	2,959,389	2,683,835
Dividends payable		–	219,452
Short-term loans	6 & 11	5,079,420	2,860,834
Current portion of long-term loans	11	869,444	829,209
Taxes payable		256,252	525,788
		9,164,505	7,119,118
Total liabilities		24,866,924	18,582,132
Total shareholders' equity and liabilities		42,226,086	35,543,891

Condensed Consolidated Income Statement *(Unaudited)*

For the six months ended 30 June 2004
(Amounts expressed in thousands of Rmb, except per share data)

	Note	Six months ended 30 June	
		2004	2003
Operating revenue	7	6,041,467	4,501,679
Operating costs	11&12	(4,137,151)	(3,129,463)
Operating profit		1,904,316	1,372,216
Share of (loss)/profit of associates		(6,633)	7,223
Interest income		19,362	24,503
Finance costs	12	(158,386)	(233,700)
Profit before taxation		1,758,659	1,170,242
Taxation	8	(484,395)	(390,427)
Profit before minority interests		1,274,264	779,815
Minority interests		(161,484)	4,418
Net profit		1,112,780	784,233
Earnings per share			
– basic (Rmb)	9	0.22	0.15
– diluted (Rmb)	9	0.21	N/A

Condensed Consolidated Statement of Changes in Shareholders' Equity (Unaudited)

For the six months ended 30 June 2004
(Amounts expressed in thousands of Rmb)

	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Restricted reserve	Other reserve	Retained earnings	Total shareholders' reserves	Total equity
Balance as at 1 January 2003	5,162,849	3,653,421	1,107,529	112,317	2,976,397	194,161	-	1,172,605	9,216,430	14,379,279
Dividends declared	-	-	-	-	-	-	-	(619,542)	(619,542)	(619,542)
Net profit	-	-	-	-	-	-	-	784,233	784,233	784,233
Transfer between reserves	-	-	-	(16,673)	16,673	(16,180)	-	16,180	-	-
Balance as at 30 June 2003	5,162,849	3,653,421	1,107,529	95,644	2,993,070	177,981	-	1,353,476	9,381,121	14,543,970
Balance as at 1 January 2004	5,162,849	3,653,421	1,312,067	256,981	3,032,863	161,801	149,796	1,991,554	10,558,483	15,721,332
Dividends declared (Note 10)	-	-	-	-	-	-	-	(903,499)	(903,499)	(903,499)
Net profit	-	-	-	-	-	-	-	1,112,780	1,112,780	1,112,780
Transfer between reserves (Note 10)	-	-	-	(7,860)	516,937	(16,180)	-	(492,897)	-	-
Balance as at 30 June 2004	5,162,849	3,653,421	1,312,067	249,121	3,549,800	145,621	149,796	1,707,938	10,767,764	15,930,613

Condensed Consolidated Statement of Cash Flows *(Unaudited)*

For the six months ended 30 June 2004
(Amounts expressed in thousands of Rmb)

	Note	Six months ended 30 June	
		2004	2003
Net cash from operating activities		1,086,070	1,230,463
Net cash used in investing activities	12	(6,308,297)	(1,301,554)
Net cash provided by financing activities	12	6,068,970	1,112,614
Net increase in cash and cash equivalents		846,743	1,041,523
Cash and cash equivalents, beginning of period		4,155,484	2,350,004
Cash and cash equivalents, end of period		5,002,227	3,391,527

Notes to the Condensed Financial Statements

(Unaudited)

As at 30 June 2004
(Amounts expressed in Rmb)

1. Company organisation and principal activities

Datang International Power Generation Company Limited (formerly known as Beijing Datang Power Generation Company Limited) (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 Company listed its shares on The Stock Exchange of Hong Kong Limited and the London Stock Exchange Limited on 21 March 1997. The Company and its subsidiaries currently own and operate eight coal-fired power plants and one hydropower plant. The Company and its subsidiaries' power plants are principally engaged in the generation and sale of electric power to North China Grid Company Limited (formerly known as North China Power Group Company) (the "NCG") and its subsidiaries.

The Company holds equity interests in the following subsidiaries and associates, all of which are limited liability companies established and operated in the PRC:

Company name	Date of establishment	Registered capital '000	Attributable interest	Principal activities
Subsidiaries				
Inner Mongolia Datang Tuoketuo Power Generation Company Limited ("Datang Tuoketuo")	17 November 1995	1,614,020	60%	Power generation
Tianjin Datang Panshan Power Generation Company Limited	6 August 1997	831,253	75%	Power generation
Hebei Datang International Huaze Hydropower Development Company Limited ("Fengning Hydropower")	29 July 1998	59,161	90%	Hydropower generation

1. Company organisation and principal activities (cont'd)

Company name	Date of establishment	Registered capital '000	Attributable interest	Principal activities
<i>Subsidiaries (cont'd)</i>				
Shanxi Datang Shentou Power Generation Company Limited	8 December 1998	261,200	60%	Power generation (under construction)
Shanxi Datang International Yungang Thermal Power Company Limited	14 July 2000	207,000	80%	Power generation
Yunnan Datang Honghe Power Generation Company Limited	27 April 2001	10,000	70%	Power generation (under construction)
Gansu Datang Liancheng Power Generation Company Limited	18 August 2001	85,500	55%	Power generation (under construction)
Hebei Datang Tangshan Thermal Power Company Limited	21 February 2002	274,800	80%	Power generation
Yunnan Datang Nalan Hydropower Development Company Limited	30 October 2002	25,000	51%	Hydropower generation (under construction)
Yunnan Datang Lixianjiang Hydropower Development Company Limited	8 November 2002	10,000	70%	Hydropower generation (under construction)

1. Company organisation and principal activities (cont'd)

Company name	Date of establishment	Registered capital '000	Attributable interest	Principal activities
<i>Subsidiaries (cont'd)</i>				
Shanxi Datang Yuncheng Power Generation Company Limited	28 March 2003	10,000	51%	Power generation (pre-construction)
Jiangsu Datang Lvsigang Power Generation Company Limited	18 September 2003	50,000	90%	Power generation (pre-construction)
Guangdong Datang Chaozhou Power Generation Company Limited	15 November 2003	30,000	75%	Power generation (pre-construction)
Fujian Datang Ningde Power Generation Company Limited	2 December 2003	50,000	55%	Power generation (pre-construction)
<i>Associates</i>				
North China Electric Power Research Institute Company Limited ("NCEPR")	7 December 2000	100,000	30%	Power related technology services
Tianjin Dagang Huashi Power Generation Company Limited	5 April 2002	10,000	30%	Power generation (under construction)
Beijing Texin Datang Heat Company Limited	27 April 2002	172,800	49%	Provision of heat transfer service

1. Company organisation and principal activities (cont'd)

Company name	Date of establishment	Registered capital '000	Attributable interest	Principal activities
<i>Associates (cont'd)</i>				
Shanxi Datang Niangziguan Power Generation Company Limited ("Datang Niangziguan") *	9 January 2003	2,000	54%	Power generation (pre-construction)
Chongqing Datang Pengshui Hydropower Development Company Limited	28 August 2003	50,000	40%	Hydropower generation (pre-construction)
Ningxia Datang Daba Power Generation Company Limited	31 October 2003	20,000	45%	Power generation (pre-construction)
Tongfang Investment Company Limited	8 May 2004	550,000	36.4%	Project investment and management

* Though the Company holds majority equity interest of Datang Niangziguan, it has not obtained power to govern its financial and operating decision. Therefore, the Company classifies it as an associate. On 22 April 2004, the Board of Directors has approved to transfer the 51% interest to the third party and the transaction has not been completed as at 30 June 2004.



2. Principal accounting policies

The accompanying condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") No. 34, Interim Financial Reporting, and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The principal accounting policies adopted for the preparation of the condensed consolidated financial statements as at and for the six months ended 30 June 2004 are consistent with those adopted for the preparation of the consolidated financial statements as at and for the year ended 31 December 2003.

3. Cash and cash equivalents

	30 June 2004 '000	31 December 2003 '000
Deposits with NCPG Finance Company Ltd.	1,813,074	3,273,493
Bank deposits	3,188,762	881,630
Cash in hand	391	361
	<u>5,002,227</u>	<u>4,155,484</u>

As at 30 June 2004, cash and cash equivalents of approximately Rmb1,813,074,000 (2003 – Rmb3,273,493,000) were deposited with NCPG Finance Company Ltd. at the prevailing market interest rate of 0.72% (2003 – 0.72%).



4. Accounts payable and accrued liabilities

	30 June 2004 '000	31 December 2003 '000
Construction costs and deposits payable to contractors	1,636,207	1,498,454
Fuel and material costs payable	537,886	500,356
Salary and welfare payable	192,725	125,257
Interest rate swap liability	133,568	206,024
Government grants	155,428	138,928
Others	303,575	214,816
	2,959,389	2,683,835

As at 30 June 2004, substantially all accounts payable were due within one year.

As at 30 June 2004, the notional principal amount of the outstanding interest rate swap contract of Datang Tuoketuo was USD213,253,955, and the fixed rate and floating rate were 5.15% and 1.17% (LIBOR offered by British Bankers' Association as at 13 January 2004), respectively.



5. Convertible bond

The liability component of convertible bond as at 30 June 2004 was as follows:

	'000
Liability component at 1 January 2004	1,031,722
Interest expense	27,616
Interest payment	(4,774)
	<hr/>
Liability component at 30 June 2004	<u>1,054,564</u>

The carrying amount of the liability component at 30 June 2004 of the convertible bond approximated its fair value.

6. Short term Loans

The Company and its subsidiaries had short term loans payable to NCPG Finance Company Ltd. totalling approximately Rmb2,080,450,000 as at 30 June 2004 (2003–Rmb2,191,000,000).

7. Operating revenue

	Six months ended 30 June	
	2004	2003
	'000	'000
Electricity	6,035,508	4,501,679
Heat	5,959	–
	<hr/>	<hr/>
	<u>6,041,467</u>	<u>4,501,679</u>



7. Operating revenue (cont'd)

Pursuant to the power purchase agreement entered into between the Company and its subsidiaries and the regional or provincial power grid companies, the Company and its subsidiaries are required to sell their entire net generation of electricity to these power grid companies at an approved tariff rate as determined based on a regulatory process. For the six months ended 30 June 2004, all of the electricity generated by the Company and its subsidiaries were sold to NCG and its subsidiaries.

8. Taxation

	Six months ended 30 June	
	2004	2003
	'000	'000
PRC enterprise income tax		
– Current tax	469,356	428,552
– Deferred tax	15,039	(38,125)
	<u>484,395</u>	<u>390,427</u>

Enterprise income tax is provided on the basis of the statutory profit for financial reporting purposes, adjusted for income and expense items, which are not assessable or deductible for income tax purposes. Except for Datang Tuoketuo and Fengning Hydropower, the applicable PRC enterprise income tax rate for the Company and its subsidiaries is 33%.



8. Taxation (cont'd)

Pursuant to document Guo Ban Fa [2001] 73 issued by State Council of PRC and document Cai Shui [2001] 202 issued by State Administration of Taxation of PRC, Datang Tuoketuo, as an enterprise set up in western area of PRC and engaged in business encouraged by the State, is granted a tax concession to pay PRC income tax at a preferential rate of 15% from 2001 to 2010. As a newly set up domestic invested enterprises engaged in power generation in western area of PRC, Datang Tuoketuo is also exempted from PRC enterprise income tax during the first and second year of operation and is granted a tax concession to pay PRC enterprise income tax at 50% of preferential rate during the third to fifth year of operation. Datang Tuoketuo started commercial operation in 2003. The applicable PRC enterprise income tax rates approved by the local tax authority in 2003 and 2004 are 15% and 0%, respectively.

Pursuant to document Feng Zheng [1996] 51 issued by the local government, all the enterprise income tax paid by Fengning Hydropower is refunded for ten years starting from 2002.

9. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2004 was based on net profit of approximately Rmb1,112,780,000 (2003 – Rmb784,233,000) and on the weighted average number of 5,162,849,000 shares (2003 – 5,162,849,000 shares) outstanding during the period.

The diluted earnings per share is calculated adjusting the weighted average number of ordinary share outstanding to assume conversion of all dilutive potential ordinary shares. The convertible bond is assumed to have been converted into ordinary shares and the net profit is adjusted to eliminate the interest expenses less the tax effect. No diluted earnings per share have been presented for the six months ended 30 June 2003 as there were no dilutive potential ordinary shares outstanding by then.



9. Earnings per share (cont'd)

	Six months ended 30 June 2004
Net profit attributable to shareholders (Rmb '000)	1,112,780
Interest expense on convertible debt (net of tax) (Rmb '000)	18,502
Net profit used to determine diluted earnings per share (Rmb '000)	1,131,282
Weighted average number of ordinary shares in issue (shares in thousand)	5,162,849
Adjustments for assumed conversion of convertible debt (shares in thousand)	215,813
Weighted average number of ordinary shares for diluted earnings per share (shares in thousand)	5,378,662
Diluted earnings per share (Rmb)	0.21

10. Profit appropriations

Dividends

On 17 March 2004, the Board of Directors proposed a dividend of Rmb0.175 per share, totalling approximately Rmb903,499,000 for the year ended 31 December 2003. The proposed dividend distribution was approved by the shareholders in their general meeting dated 22 June 2004.

Reserves

During the period, approximately Rmb16,180,000 has been transferred from the restricted reserve, which is specifically set up to reflect the reduction of the statutory public welfare fund under PRC GAAP, to retained earnings. This amount represented amortisation of deferred housing benefits for the six months ended 30 June 2004.



10. Profit appropriations (cont'd)

Reserves (cont'd)

Pursuant to the Accounting System for Business Enterprises of the PRC, statutory public welfare fund is transferred to discretionary surplus reserve upon utilisation for the collective benefits of the employees. For the six months ended 30 June 2004, approximately Rmb7,860,000 (2003 – Rmb16,673,000) of the statutory public welfare fund was transferred to discretionary surplus reserve.

On 17 March 2004, the Board of Directors proposed an appropriation of approximately Rmb509,077,000 to the discretionary reserve for the year ended 31 December 2003. The proposed profit appropriation was approved by the shareholders in their general meeting dated 22 June 2004.

11. Related parties and transactions

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

Name of related parties	Nature of relationship
<i>Related parties in which the Company has no equity interest</i>	
China Datang Corporation ("China Datang") *	Substantial shareholder
Tianjin Jinneng Investment Company	Shareholder
Beijing International Power Development and Investment Company	Shareholder
Hunan Huayin Power Company Limited ("Hunnan Huayin")	An associate of the substantial shareholder

11. Related parties and transactions (cont'd)

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

Name of related parties	Nature of relationship
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Related parties in which the Company has equity interest

NCEPR	Associate
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- * Pursuant to document Guo Han [2003] 16, "Approval from the State Council Regarding the Establishment of China Datang Corporation" and Power Generation Entities Transfer Agreement entered into between China Datang and NCG on 15 January 2004 ("Entities Transfer Agreement"), NCG transferred its 35.43% equity interests in the Company to China Datang with retroactive effect from 1 January 2003. Immediately following the equity transfer on 1 January 2003, China Datang became the substantial shareholder of the Company.

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

	Note	Six months ended 30 June	
		2004 '000	2003 '000
Ash disposal fee to divisions and affiliates of China Datang	(a)	42,008	43,183
Rental fee to China Datang	(b)	3,614	3,614
Technical supervision, assistance and testing service fee to NCEPR	(c)	17,646	13,766
Transaction amount of assets transfer to Hunan Huayin	(d)	103,021	-

- (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.



11. Related party transactions (*cont'd*)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the period: (*cont'd*)
 - (b) For the six months ended 30 June 2004, the Company has leased buildings of 141,671 square metres (2003 – 141,671 square metres) from China Datang for an annual rental rate of approximately Rmb7 million (2003 – Rmb7 million).
 - (c) NCEPR provides technical supervision, assistance and testing services to the Company and its subsidiaries in relation to the power generation equipment and facilities. Pursuant to the Technical Supervision Services Contract, such services are charged at a pre-determined rate based on the installed capacity of the Company and its subsidiaries.
 - (d) On 5 April 2004, the Company entered into an agreement with Hunan Huayin to transfer the development right of a power plant development project to Hunan Huayin. The transfer price was approximately Rmb103,021,000, which mainly represented the costs incurred by the Company in this project.
 - (e) As at 30 June 2004, NCG and the minority shareholders of the Company's subsidiaries had provided guarantees for the Company and its subsidiaries' loans totalling approximately Rmb6,517,000,000 (2003 – Rmb6,096,000,000). Pursuant to the Entities Transfer Agreement, China Datang will assume all of NCG's obligations in relation to the guarantees provided for the Company and its subsidiaries. The legal procedures of this arrangement were still in process as at 30 June 2004.



11. Related party transactions (*cont'd*)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its subsidiaries during the period: (*cont'd*)
- (f) In addition to the transactions mentioned above, for the six months ended 30 June 2004, there are related companies managed by the Company or owned by certain management personnel of the Company's subsidiaries, which provided property management, cleaning, transportation, and other services of approximately Rmb127,980,000 (2003 – Rmb43,486,000) to the Company and its subsidiaries.
- (g) Apart from the above related party transactions, the Company has also entered into numerous transactions with other state-owned enterprises to which the exception in IAS 24, Related Party Disclosures, applies.

12. Supplemental financial information

(a) *Condensed consolidated balance sheet*

	30 June 2004 '000	31 December 2003 '000
Net current liabilities	(1,558,931)	(177,714)
Total assets less current liabilities	33,061,581	28,424,773
	Six months ended 30 June	
	2004 '000	2003 '000
Additions to property, plant and equipment	6,886,757	2,286,037

12. Supplemental financial information (cont'd)

(b) Condensed consolidated income statement

	Six months ended 30 June	
	2004 '000	2003 '000
Interest expenses	406,271	254,991
Less: amount capitalised in property, plant and equipment	(213,778)	(85,416)
Exchange loss, net	192,493	169,575
Fair value (gain)/loss on an interest rate swap	1,840	13
	(35,947)	64,112
Finance costs	158,386	233,700
Cost of inventories		
– Fuel	2,060,780	1,524,410
– Spare parts and consumable supplies	29,450	22,112
Depreciation and amortisation	993,906	716,794
Dividend income	(18,702)	(10,063)



12. Supplemental financial information (cont'd)

(c) Condensed consolidated cashflow statement

	Six months ended 30 June	
	2004 '000	2003 '000
Investing activities		
Additions to property, plant and equipment	(6,510,622)	(2,279,515)
Financing activities		
Addition of short-term loans	5,360,200	1,728,950
Repayment of short-term loans	(3,141,614)	(264,500)
Addition of long-term loans	4,606,429	483,737
Repayment of long-term loans	(359,888)	(689,749)

13. Commitments

(a) Capital commitments

As at 30 June 2004, the Company had capital commitments related to investments in subsidiaries and associates amounted to Rmb6,374 million. In addition, capital commitments of the Company and its subsidiaries in relation to the construction and renovation of the electric utility plants not provided for in the balance sheet were as follows:

	'000
Authorised and contracted for	21,922,311
Authorised but not contracted for	10,065,763
	<hr/>
	31,988,074
	<hr/> <hr/>



13. Commitments (cont'd)

(b) Operating lease commitments

As at 30 June 2004, operating lease commitments extending to November 2016 in relation to buildings were as follows:

	'000
Amount repayable	
Within one year	12,018
Between one to five years	28,904
Over five years	54,127
	<hr/>
	95,049
	<hr/> <hr/>

14. Subsequent event

On 29 March 2004, the Company entered into an agreement with Datong Coalmine Group Company Limited and Datong Coal Industry Company Limited to set up Tongmei Datang Tashan Coalmine Company Limited ("Datang Tashan"). The estimated registered capital of Datang Tashan is approximately Rmb752,700,000. The Company holds 28% of the equity interests in Datang Tashan. As at 17 August 2004, the Company has invested approximately Rmb108,000,000 in Datang Tashan.