# CONSOLIDATED INCOME STATEMENT

*for the year ended 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Note | 2005<br>*RMB'000* | 2004<br>(restated)<br>*RMB'000* |
|---|---|---|---|
| **Turnover** | 5 | **13,300,397** | 10,175,438 |
| **Operating expenses** | | | |
| Coal consumption | | **(7,270,536)** | (4,647,567) |
| Depreciation and amortisation | | **(1,621,738)** | (1,532,923) |
| Major overhaul expenses | | **(246,988)** | (233,417) |
| Repairs and maintenance | | **(151,863)** | (144,180) |
| Personnel costs | 6 | **(1,057,365)** | (919,543) |
| Administration expenses | | **(506,429)** | (357,708) |
| Sales related taxes | 7 | **(134,291)** | (108,213) |
| Other operating expenses | | **(257,449)** | (214,414) |
| | | **(11,246,659)** | (8,157,965) |
| **Operating profit** | | **2,053,738** | 2,017,473 |
| **Investment income** | | **240** | 30,066 |
| **Other net income** | | **45,037** | 22,119 |
| **Net finance costs** | 8 | **(446,357)** | (493,708) |
| **Share of profits less losses of associates** | | **16,636** | 263 |
| **Profit before taxation** | 9 | **1,669,294** | 1,576,213 |
| **Income tax** | 12(a) | **(512,341)** | (504,152) |
| **Profit for the year** | | **1,156,953** | 1,072,061 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **1,066,421** | 1,045,708 |
| Minority interests | | **90,532** | 26,353 |
| **Profit for the year** | | **1,156,953** | 1,072,061 |
| **Basic earnings per share** | 14 | **RMB0.179** | RMB0.199 |

The notes on pages 69 to 116 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

*as at 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Note | **2005** **RMB'000** | 2004 (restated) RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **21,348,609** | 20,925,048 |
| Construction in progress | 16 | **9,048,143** | 2,876,732 |
| Lease prepayments | 17 | **429,770** | 416,204 |
| Intangible assets | 18 | **44,431** | 37,465 |
| Interest in associates | 20 | **918,211** | 410,163 |
| Other investments | 22 | **175,639** | 175,639 |
| Deferred tax assets | 28 | **46,218** | 61,667 |
| | | **32,011,021** | 24,902,918 |
| **Current assets** | | | |
| Inventories | 23 | **558,847** | 358,036 |
| Deposits, other receivables and prepayments | | **87,127** | 452,876 |
| Trade and bills receivables | 24 | **1,263,332** | 1,050,495 |
| Tax recoverable | 12(b) | **2,789** | 9,210 |
| Fixed deposits maturing over three months | | **—** | 10,752 |
| Cash and cash equivalents | 25 | **845,642** | 1,260,127 |
| | | **2,757,737** | 3,141,496 |
| **Current liabilities** | | | |
| Bank loans | 26(a) | **5,492,551** | 3,876,569 |
| Current portion of loans from shareholders | 26(b) | **175,000** | 335,000 |
| Current portion of state loans | 26(c) | **9,584** | 9,111 |
| Other loans | 26(d) | **398,623** | 629,342 |
| Amounts due to holding company | | **33,000** | — |
| Trade and bills payables | 27 | **1,061,917** | 1,426,699 |
| Other payables | | **889,640** | 781,848 |
| Tax payable | 12(b) | **113,970** | 84,681 |
| | | **8,174,285** | 7,143,250 |
| **Net current liabilities** | | **(5,416,548)** | (4,001,754) |
| **Total assets less current liabilities carried forward** | | **26,594,473** | 20,901,164 |

# CONSOLIDATED BALANCE SHEET *(continued)*

*as at 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Note | **2005** <br> ***RMB'000*** | 2004 (restated) <br> *RMB'000* |
|---|---|---|---|
| **Total assets less current liabilities brought forward** | | **26,594,473** | 20,901,164 |
| **Non-current liabilities** | | | |
| Bank loans | 26(a) | **9,785,891** | 8,500,075 |
| Loans from shareholders | 26(b) | **1,135,000** | 175,000 |
| State loans | 26(c) | **70,179** | 79,492 |
| Other loans | 26(d) | **1,365,647** | 1,008,376 |
| Deferred government grants | | **136,170** | 98,920 |
| Deferred tax liabilities | 28 | **439,170** | 352,799 |
| | | **12,932,057** | 10,214,662 |
| **Net Assets** | | **13,662,416** | 10,686,502 |
| **Capital and Reserves** | | | |
| **Share capital** | 29(a) | **6,021,084** | 5,256,084 |
| **Reserves** | | **6,600,625** | 4,617,475 |
| **Total equity attributable to equity shareholders of the Company** | | **12,621,709** | 9,873,559 |
| **Minority interests** | | **1,040,707** | 812,943 |
| **Total Equity** | | **13,662,416** | 10,686,502 |

Approved and authorised for issue by the Board of Directors on 24 March 2006.

| | |
|---|---|
| **He Gong** | **Chen Jianhua** |
| *Chairman* | *Director* |

The notes on pages 69 to 116 form part of these financial statements.

# BALANCE SHEET

*as at 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Note | 2005 RMB'000 | 2004 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | **11,033,595** | 11,789,830 |
| Construction in progress | 16 | **3,150,007** | 696,249 |
| Lease prepayments | 17 | **196,401** | 194,091 |
| Intangible assets | 18 | **45,457** | 45,457 |
| Interest in subsidiaries | 19 | **2,327,813** | 1,406,873 |
| Interest in associates | 20 | **869,540** | 375,740 |
| Interest in a jointly controlled entity | 21 | **193,983** | 193,983 |
| Other investments | 22 | **172,939** | 172,939 |
| Deferred tax assets | 28 | **38,221** | 50,411 |
| | | **18,027,956** | 14,925,573 |
| **Current assets** | | | |
| Inventories | 23 | **313,524** | 183,269 |
| Amounts due from subsidiaries | | **56,455** | 39,812 |
| Deposits, other receivables and prepayments | | **34,146** | 345,194 |
| Trade and bills receivables | 24 | **654,317** | 572,929 |
| Fixed deposits maturing over three months | | **—** | 10,752 |
| Cash and cash equivalents | 25 | **484,574** | 474,547 |
| | | **1,543,016** | 1,626,503 |
| **Current liabilities** | | | |
| Bank loans | 26(a) | **1,766,840** | 1,916,359 |
| Current portion of loans from shareholders | 26(b) | **175,000** | 335,000 |
| Current portion of state loans | 26(c) | **9,584** | 9,111 |
| Other loans | 26(d) | **42,000** | 198,037 |
| Amounts due to holding company | | **33,000** | — |
| Amounts due to subsidiaries | | **101,753** | 48,000 |
| Trade and bills payables | 27 | **418,719** | 590,851 |
| Other payables | | **353,762** | 413,007 |
| Tax payable | 12(b) | **79,098** | 74,380 |
| | | **2,979,756** | 3,584,745 |
| **Net current liabilities** | | **(1,436,740)** | (1,958,242) |
| **Total assets less current liabilities carried forward** | | **16,591,216** | 12,967,331 |

# BALANCE SHEET *(continued)*

*as at 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Note | **2005** **RMB'000** | 2004 RMB'000 |
|---|---|---|---|
| **Total assets less current liabilities brought forward** | | **16,591,216** | 12,967,331 |
| **Non-current liabilities** | | | |
| Bank loans | 26(a) | **3,123,758** | 2,601,408 |
| Loans from shareholders | 26(b) | **585,000** | 175,000 |
| State loans | 26(c) | **67,929** | 79,492 |
| Other loans | 26(d) | **898,037** | 700,000 |
| Deferred government grants | | **43,000** | 15,000 |
| | | **4,717,724** | 3,570,900 |
| **Net Assets** | | **11,873,492** | 9,396,431 |
| **Capital and Reserves** | | | |
| **Share capital** | 29(a) | **6,021,084** | 5,256,084 |
| **Reserves** | | **5,852,408** | 4,140,347 |
| **Total Equity** | | **11,873,492** | 9,396,431 |

Approved and authorised for issue by the Board of Directors on 24 March 2006.

**He Gong**
*Chairman*

**Chen Jianhua**
*Director*

The notes on pages 69 to 116 form part of these financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Attributable to equity shareholders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (note 29(a)) | Capital reserve RMB'000 (note 29(b)) | Statutory surplus reserve RMB'000 (note 29(c)) | Statutory public welfare fund RMB'000 (note 29(d)) | Discretionary surplus reserve RMB'000 (note 29(e)) | Retained profits RMB'000 | Total RMB'000 | Minority interests RMB'000 | Total equity RMB'000 |
| Balance at 1 January 2004 | 5,256,084 | 778,040 | 755,700 | 283,920 | 60,655 | 1,982,537 | 9,116,936 | 186,586 | 9,303,522 |
| Profit for the year | — | — | — | — | — | 1,045,708 | 1,045,708 | 26,353 | 1,072,061 |
| Acquisition of a subsidiary | — | — | — | — | — | — | — | 609,524 | 609,524 |
| Appropriations | — | — | 104,400 | 52,200 | — | (156,600) | — | — | — |
| Transfer between reserves | — | (622) | 622 | (3,035) | 3,035 | — | — | — | — |
| Dividends approved for equity shareholders of the Company | — | — | — | — | — | (289,085) | (289,085) | — | (289,085) |
| Dividends approved for minority equity shareholders of subsidiaries | — | — | — | — | — | — | — | (9,520) | (9,520) |
| Balance at 31 December 2004 | 5,256,084 | 777,418 | 860,722 | 333,085 | 63,690 | 2,582,560 | 9,873,559 | 812,943 | 10,686,502 |
| Balance at 1 January 2005 | | | | | | | | | |
| — as previously reported | 5,256,084 | 777,418 | 860,722 | 333,085 | 63,690 | 2,582,560 | 9,873,559 | 812,943 | 10,686,502 |
| — opening balance adjustment in respect of negative goodwill | — | — | — | — | — | 6,966 | 6,966 | — | 6,966 |
| — as restated | 5,256,084 | 777,418 | 860,722 | 333,085 | 63,690 | 2,589,526 | 9,880,525 | 812,943 | 10,693,468 |
| Profit for the year | — | — | — | — | — | 1,066,421 | 1,066,421 | 90,532 | 1,156,953 |
| Issuance of A shares | 765,000 | 1,120,501 | — | — | — | — | 1,885,501 | — | 1,885,501 |
| Acquisition of subsidiaries | — | — | — | — | — | — | — | 12,332 | 12,332 |
| Capital injection from minority shareholders to subsidiaries | — | — | — | — | — | — | — | 134,493 | 134,493 |
| Appropriations | — | — | 101,497 | 50,748 | — | (152,245) | — | — | — |
| Transfer between reserves | — | — | — | (4,399) | 4,399 | — | — | — | — |
| Dividends approved for equity shareholders of the Company | — | — | — | — | — | (210,738) | (210,738) | — | (210,738) |
| Dividends approved for minority equity shareholders of subsidiaries | — | — | — | — | — | — | — | (9,593) | (9,593) |
| Balance at 31 December 2005 | 6,021,084 | 1,897,919 | 962,219 | 379,434 | 68,089 | 3,292,964 | 12,621,709 | 1,040,707 | 13,662,416 |

The notes on pages 69 to 116 form part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY

*for the year ended 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Share capital *RMB'000* *(note 29(a))* | Capital reserve *RMB'000* *(note 29(b))* | Statutory surplus reserve *RMB'000* *(note 29(c))* | Statutory public welfare fund *RMB'000* *(note 29(d))* | Discretionary surplus reserve *RMB'000* *(note 29(e))* | Retained profits *RMB'000* | Total equity *RMB'000* |
|---|---|---|---|---|---|---|---|
| Balance at 1 January 2004 | 5,256,084 | 778,040 | 755,700 | 283,920 | 60,655 | 1,664,035 | 8,798,434 |
| Profit for the year | — | — | — | — | — | 887,082 | 887,082 |
| Appropriations | — | — | 104,400 | 52,200 | — | (156,600) | — |
| Transfer between reserves | — | (622) | 622 | (3,035) | 3,035 | — | — |
| Dividends approved | — | — | — | — | — | (289,085) | (289,085) |
| Balance at 31 December 2004 | 5,256,084 | 777,418 | 860,722 | 333,085 | 63,690 | 2,105,432 | 9,396,431 |
| **Balance at 1 January 2005** | **5,256,084** | **777,418** | **860,722** | **333,085** | **63,690** | **2,105,432** | **9,396,431** |
| **Issuance of A shares** | **765,000** | **1,120,501** | **—** | **—** | **—** | **—** | **1,885,501** |
| **Profit for the year** | **—** | **—** | **—** | **—** | **—** | **802,298** | **802,298** |
| **Appropriations** | **—** | **—** | **101,497** | **50,748** | **—** | **(152,245)** | **—** |
| **Transfer between reserves** | **—** | **—** | **—** | **(4,399)** | **4,399** | **—** | **—** |
| **Dividends approved** | **—** | **—** | **—** | **—** | **—** | **(210,738)** | **(210,738)** |
| **Balance at 31 December 2005** | **6,021,084** | **1,897,919** | **962,219** | **379,434** | **68,089** | **2,544,747** | **11,873,492** |

The notes on pages 69 to 116 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

*for the year ended 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Note | 2005 RMB'000 | 2004 RMB'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Cash receipts from customers | | **13,139,982** | 10,187,042 |
| Cash paid to suppliers and employees | | **(9,646,753)** | (6,693,619) |
| Cash generated from operations | | **3,493,229** | 3,493,423 |
| Interest paid | | **(756,971)** | (616,045) |
| Enterprise income tax paid | | **(401,070)** | (554,312) |
| **Net cash from operating activities** | | **2,335,188** | 2,323,066 |
| **Investing activities** | | | |
| Acquisition of property, plant and equipment and construction in progress | | **(6,025,017)** | (2,774,951) |
| Proceeds from sale of property, plant and equipment | | **5,595** | 231 |
| Lease prepayments paid | | **(37,037)** | (26,061) |
| Acquisition of subsidiaries, net of cash acquired | 32 | **(120,911)** | (216,293) |
| Acquisition of associates | | **(245,000)** | (79,740) |
| Capital injection in associates | | **(255,140)** | (140,360) |
| Acquisition of other investments | | **—** | (12,600) |
| Capital injection in other investment | | **—** | (30,000) |
| Interest received | | **19,285** | 12,717 |
| Dividends received | | **493** | 30,066 |
| Maturity of fixed deposits maturing over 3 months | | **10,752** | 10,280 |
| **Net cash used in investing activities** | | **(6,646,980)** | (3,226,711) |

# CONSOLIDATED CASH FLOW STATEMENT *(continued)*

*for the year ended 31 December 2005*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

| | Note | **2005**<br>***RMB'000*** | 2004<br>*RMB'000* |
|---|---|---|---|
| **Financing activities** | | | |
| Proceeds from the issue of share capital | | **1,893,315** | — |
| Proceeds from borrowings | | **11,888,506** | 7,371,568 |
| Proceeds from government grants | | **41,000** | 45,445 |
| Payment of transaction costs on issue of share capital | | **(3,394)** | — |
| Other cash received relating to financing activities | | **25,671** | — |
| Repayment of borrowings | | **(9,859,307)** | (5,534,719) |
| Capital injection from minority equity shareholders to subsidiaries | | **134,493** | 9,000 |
| Dividends paid to equity shareholders of the Company | | **(210,738)** | (289,085) |
| Dividends paid to minority equity shareholders of subsidiaries | | **(12,239)** | (7,276) |
| **Net cash from financing activities** | | **3,897,307** | 1,594,933 |
| **Net (decrease)/increase in cash and cash equivalents** | | **(414,485)** | 691,288 |
| **Cash and cash equivalents at beginning of the year** | | **1,260,127** | 568,839 |
| **Cash and cash equivalents at end of the year** | 25 | **845,642** | 1,260,127 |

The notes on pages 69 to 116 form part of these financial statements.

## 1 BACKGROUND OF THE COMPANY

Huadian Power International Corporation Limited (the "Company") was established in the People's Republic of China (the "PRC") on 28 June 1994 as a joint stock limited company.

The Company and its subsidiaries (the "Group") and a jointly controlled entity are principally engaged in the generation of electricity and heat. All electricity generated is supplied to the provincial grid companies where the power plants are located.

## 2 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the financial statements are set out below:

### (a) Statement of compliance and basis of preparation

#### (i) Statement of compliance

The financial statements of the Company and the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board ("IASB"). IFRSs includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related interpretations.

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued a number of new and revised IFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005. Information on the change in accounting policies resulting from initial application of these new and revised IFRSs for the current and prior accounting periods reflected in these financial statements is provided in note 3.

#### (ii) Basis of preparation

The consolidated financial statements for the year ended 31 December 2005 comprise the Group and its interest in associates and a jointly controlled entity.

The financial statements are prepared on the historical cost basis except that the derivatives financial instruments are stated at their fair value, (see note 2(n)). The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year except for the changes in accounting policies (see note 3).

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (a) Statement of compliance and basis of preparation *(continued)*

#### (ii) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key assumptions and estimation made by management in the application of IFRSs that have significant effect on the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year are disclosed in note 37.

### (b) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are those entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses (see note 2(g)).

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (b) Basis of consolidation *(continued)*

#### (ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of the associate on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of an associate.

Investments in associates are stated in the Company's balance sheet at cost less impairment losses (see note 2(g)).

#### (iii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Group's proportionate share of the enterprises' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

Investments in jointly controlled entities are stated in the Company's balance sheet at cost less impairment losses (see note 2(g)).

#### (iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Any unrealised gains arising from transactions with jointly controlled entities and associates are eliminated to the extent of the Group's interest in the entity. Any unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (b) Basis of consolidation *(continued)*

#### (v) Minority interests

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

### (c) Investments

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(g)).

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments.

### (d) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate or a jointly controlled entity over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2(g)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate or a jointly controlled entity is recognised immediately in profit or loss.

On disposal of a cash generating unit, an associate or a jointly controlled entity during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (e) Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses (see note 2(g)).

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Depreciation is provided to write off the cost of property, plant and equipment on a straight-line basis over their anticipated useful lives or over their remaining useful lives, being their anticipated useful lives less the period they have been in use prior to their acquisition by the Group, after taking into account their estimated residual values. The anticipated or remaining useful lives used are as follows:

| | |
|---|---|
| Buildings | 15 – 25 years |
| Generators and related machinery and equipment | 10 – 20 years |
| Motor vehicles, furniture, fixtures, equipment and others | 5 – 10 years |

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

### (f) Construction in progress

Construction in progress is stated at cost, which comprises construction expenditure, including interest costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest costs during the construction period, and the cost of related equipment, less any impairment losses (see note 2(g)).

Upon completion and commissioning for operation, the costs are transferred to property, plant and equipment and depreciation will be provided at the appropriate rates specified in note 2(e) above. A generator is considered to be completed and commissioned when the trial run period ends.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Impairment

#### (i) Impairment of investments in equity securities and receivables

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities and current receivables that are carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for current receivables are reversed if in a subsequent period the amount of the impairment loss decreases. Impairment losses for equity securities are not reversed.

— For financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets).

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

#### (ii) Impairment of other long-lived assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— lease prepayments;

— interest in subsidiaries, associates and jointly controlled entity; and

— goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (g) Impairment *(continued)*

#### (ii) Impairment of other long-lived assets *(continued)*

— Calculation of recoverable amount

The recoverable amount of other asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (h) Lease prepayments

Lease prepayments represent land use rights paid to the PRC's Land Bureau. Land use rights are carried at amortised cost less impairment losses (see note 2(g)). Amortisation is charged to the income statement from the date of initial recognition on a straight-line basis over the respective periods of the rights which mainly range from 15 years to 50 years.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (i) Inventories

Inventories, comprising coal, fuel oil, materials, components and spare parts for consumption by the power plants, are stated at cost, less provision for obsolescence. Cost includes cost of purchase and, where applicable, transportation cost and handling fee. The cost of coal and fuel oil is calculated on the weighted average basis. The cost of materials, components and spare parts is calculated on the first-in-first-out basis.

### (j) Trade and other receivables

Trade and other receivables are initially stated at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts (see note 2(g)), unless the effect of discounting would be immaterial, in which case they are stated at cost less impairment losses for bad and doubtful debts (see note 2(g)).

### (k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings using the effective interest method.

### (l) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

### (n) Hedging

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured.

Where a derivative financial instrument hedges the changes in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in the income statement. The hedged item is stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (o) Revenue recognition

#### (i) Electricity income

Electricity income is recognised when electricity is supplied to the provincial grid companies.

#### (ii) Heat income

Heat income is recognised when heat is supplied to customers.

#### (iii) Dividend income

Dividend income from unlisted equity securities is recognised when the shareholder's right to receive payment is established.

#### (iv) Government grants

A conditional government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grants that compensate the Group for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised in the income statement as revenue on an systematic basis over the useful life of the asset.

### (p) Major overhauls, repairs and maintenance

Expenditure on major overhauls, repairs and maintenance is charged to the income statement as it is incurred.

### (q) Translation of foreign currencies

Foreign currency transactions are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency translation differences relating to funds borrowed to finance construction in progress, to the extent that they are regarded as an adjustment to interest costs, are capitalised during the construction period. All other exchange differences are dealt with in the income statement.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (r) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the balance sheet liability method, in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: initial recognition of goodwill, and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (s) Provisions

A provision is recognised in the balance sheet when the Group or the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation.

### (t) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use.

## 2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

### (u) Operating leases

Payments made under operating leases are charged to the income statement on a straight-line basis over the terms of the lease.

### (v) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

### (w) Research and development costs

Research and development costs are recognised as expenses in the period in which they are incurred.

### (x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

### (y) Dividends

Dividends are recognised as a liability in the period in which they are declared.

## 3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued a number of new and revised IFRSs that are effective for accounting periods beginning on or after 1 January 2005.

The accounting policies of the Group and/or the Company after the adoption of these new and revised IFRSs have been summarised in note 2. The following sets out information on the significant changes in accounting policies for the current and prior accounting periods reflected in these financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 40).

## 3 CHANGES IN ACCOUNTING POLICIES *(continued)*

### (a) Amortisation of positive and negative goodwill (IFRS 3, Business combinations and IAS 36, Impairment of assets)

In prior periods:

— In respect of business combinations for which the agreement date was before 31 March 2004, positive goodwill was stated at cost less accumulated amortisation and any impairment losses. Amortisation was charged to the income statement from the date of initial recognition on a straight-line basis over the time during which the benefits were expected to be consumed, subject to a maximum of 20 years. The recoverable amount of goodwill was estimated when there was any indication of impairment.

  An impairment loss of goodwill was not reversed unless the loss has been caused by a specific external event of an exceptional nature that was not expected to recur, and the increase in recoverable amount related clearly to the reversal of the effect of that specific event.

— In respect of business combinations for which the agreement date was before 31 March 2004, negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, was recognised in the income statement over the weighted average useful life of those assets that were depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired was recognised immediately in the income statement.

With effect from 1 January 2005, in accordance with IFRS 3 and IAS 36, the Group no longer amortises positive goodwill arising from business combinations. Such goodwill is stated at cost less any accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment, including in the year of its initial recognition, as well as when there are indications of impairment. Impairment losses are recognised when the carrying amount of the cash generating unit to which the goodwill has been allocated exceeds its recoverable amount. An impairment loss is not reversed.

Also with effect from 1 January 2005 and in accordance with IFRS 3, if the fair value of the net assets acquired in a business combination exceeds the consideration paid (i.e. an amount arises which have been known as negative goodwill under the previous accounting policy), the excess is recognised immediately in the income statement as it arises. Further details of these policies are set out in note 2(d).

The new policy in respect of positive goodwill has been applied prospectively in accordance with the transitional arrangements under IFRS 3. As a result, comparative amounts have not been restated, the cumulative amount of amortisation as at 1 January 2005 has been offset against the cost of the goodwill and no amortisation charge for goodwill has been recognised in the income statement for the year ended 31 December 2005.

## 3 CHANGES IN ACCOUNTING POLICIES *(continued)*

### (a) Amortisation of positive and negative goodwill (IFRS 3, Business combinations and IAS 36, Impairment of assets) *(continued)*

The new policy in respect of negative goodwill has been applied prospectively in accordance with the transitional arrangements under IFRS 3. As a result, comparative amounts have not been restated, the carrying amount of negative goodwill has been derecognised, with a corresponding adjustment to the opening balance of retained profits, and no amortisation for negative goodwill has been recognised in the income statement for the year ended 31 December 2005.

As a result of the adoption of this accounting policy, the Group's amortisation of goodwill for the year ended 31 December 2005 has been decreased by RMB3,536,000 (2004: Nil); profit after tax and basic earnings per share for the year ended 31 December 2005 have been increased by RMB3,536,000 (2004: Nil) and RMB0.0006 (2004: Nil) respectively. The opening balance of the Group's retained profits as at 1 January 2005 has been increased by RMB6,966,000. The Company's amortisation of goodwill for the year ended 31 December 2005 has been decreased by RMB3,352,000 (2004: Nil)and profit after tax for the year ended 31 December 2005 has been increased by RMB3,352,000 (2004: Nil).

### (b) Changes in presentation (IAS 1, Presentation of financial statements)

#### (i) Presentation of shares of associates' taxation (IAS 1, Presentation of financial statements)

In prior years, the Group's share of taxation of associates accounted for using the equity method was included as part of the Group's income tax in the consolidated income statement. With effect from 1 January 2005, in accordance with the implementation guidance in IAS 1, the Group has changed the presentation and includes the share of taxation of associates accounted for using the equity method in the share of profits less losses of associates reported in the consolidated income statement before arriving at the Group's profit or loss before tax. The change in presentation has been applied retrospectively with comparatives restated.

As a result of the adoption of this accounting policy, the Group's share of profits less losses of associates has been decreased by RMB10,401,000 (2004: RMB176,000) with the corresponding decrease in the Group's income tax. There is no effect on the Group's profit after tax and basic earnings per share.

## 3 CHANGES IN ACCOUNTING POLICIES *(continued)*

### (b) Changes in presentation (IAS 1, Presentation of financial statements) *(continued)*

#### (ii) Minority interests (IAS 1, Presentation of financial statements and IAS 27, Consolidated and separate financial statements)

In prior years, minority interests at the balance sheet date were presented in the consolidated balance sheet separately from liabilities and equity. Minority interests in the results of the Group for the year were also separately presented in the income statement as a deduction before arriving at the profit attributable to shareholders.

With effect from 1 January 2005, in order to comply with IAS 1 and IAS 27, minority interests at the balance sheet date are presented in the consolidated balance sheet within equity, separately from the equity attributable to the equity shareholders of the Company, and minority interests in the results of the Group for the year are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between the minority interests and the equity shareholders of the Company. Further details of the new policy are set out in note 2(b).

The presentation of minority interests in the consolidated balance sheet, income statement and statement of changes in equity for the comparative period has been restated accordingly.

### (c) Related party disclosures (IAS 24 "Related party disclosures")

The definition of related parties under IAS 24 as disclosed in note 2(x) has been expanded to clarify that related parties include entities that are under the significant influence of a related party that is an individual (i.e. key management personnel, significant shareholders and/or their close family members) and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

With effect from 1 January 2005, in order to comply with IAS 24, the Group has made further disclosure of key management personnel compensation and contributions to post-employment benefit plans.

## 4 SEGMENT REPORTING

The Group's profits are almost entirely attributable to the generation and sale of electricity in the PRC. Accordingly, no segmental analysis is provided.

## 5 TURNOVER

Turnover represents the sale of electricity and heat, net of value added tax ("VAT").

Major components of the Group's turnover is as follows:

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sale of electricity | **13,034,607** | 9,975,734 |
| Sale of heat | **265,790** | 199,704 |
| | **13,300,397** | 10,175,438 |

## 6 PERSONNEL COSTS

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Wages and staff welfare | **732,078** | 641,615 |
| Retirement costs (note 31) | **149,357** | 127,262 |
| Other staff costs | **175,930** | 150,666 |
| | **1,057,365** | 919,543 |

## 7 SALES RELATED TAXES

Sales related taxes represent city maintenance and construction tax and education surcharge, which are calculated at 5-7% and 3%, respectively, of net VAT payable.

## 8 NET FINANCE COSTS

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interest on bank advances and other loans repayable within five years | **766,807** | 625,066 |
| Interest on other loans repayable after five years | **6,849** | 5,868 |
| Less: Interest capitalised | **(256,320)** | (100,440) |
| | **517,336** | 530,494 |
| Less: Interest income | **(19,285)** | (12,717) |
| Net foreign exchange gain | **(39,984)** | — |
| Net gain on derivative financial instruments | **(11,710)** | (24,069) |
| | **446,357** | 493,708 |

The interest costs have been capitalised at an average rate of 5.26% per annum (2004: 4.99%) for construction in progress.

## 9 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Auditors' remuneration | **5,231** | 4,779 |
| Amortisation of intangible assets and lease prepayments | **23,471** | 21,534 |
| Cost of inventories | **7,763,525** | 5,098,095 |
| Depreciation | **1,598,267** | 1,511,389 |
| Government grants | **3,750** | — |
| Loss/(gain) on disposal of property, plant and equipment | **1,459** | (51) |
| Net impairment losses recognised/(reversed) in respect of trade and other receivables | **8,058** | (493) |
| (Reversal)/write-off of inventories | **(3,007)** | 1,084 |
| Operating lease charges in respect of land and buildings | **37,260** | 35,070 |
| Research and development costs | **5,499** | 5,232 |
| Share of associates' taxation | **10,401** | 176 |

## 10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

| | Directors' and supervisors' fees *RMB'000* | Salaries, allowances and benefits in kind *RMB'000* | Retirement benefits *RMB'000* | Bonuses *RMB'000* | 2005 Total *RMB'000* |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Chen Jianhua | — | 162 | 24 | 548 | 734 |
| Tian Peiting | — | 164 | 24 | 548 | 736 |
| **Independent non-executive directors** | | | | | |
| Ding Huiping | — | 50 | — | — | 50 |
| Zhao Jinghua | — | 50 | — | — | 50 |
| Hu Yuanmu | — | 50 | — | — | 50 |
| Wang Chuanshun | — | 50 | — | — | 50 |
| **Supervisor** | | | | | |
| Zheng Feixue | — | 88 | 24 | 298 | 410 |
| | — | 614 | 72 | 1,394 | 2,080 |

## 10 DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(continued)*

| | Directors' and supervisors' fees *RMB'000* | Salaries, allowances and benefits in kind *RMB'000* | Retirement benefits *RMB'000* | Bonuses *RMB'000* | 2004 Total *RMB'000* |
|---|---|---|---|---|---|
| **Executive directors** | | | | | |
| Da Hongxing | — | 135 | 21 | 497 | 653 |
| Chen Jianhua | — | 135 | 21 | 497 | 653 |
| Tian Peiting | — | 135 | 21 | 497 | 653 |
| **Independent non-executive directors** | | | | | |
| Ding Huiping | — | 50 | — | — | 50 |
| Zhao Jinghua | — | 50 | — | — | 50 |
| Hu Yuanmu | — | 50 | — | — | 50 |
| Wang Chuanshun | — | 50 | — | — | 50 |
| **Supervisor** | | | | | |
| Zheng Feixue | — | 39 | 16 | 92 | 147 |
| | — | 644 | 79 | 1,583 | 2,306 |

## 11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2004: three) are directors whose emoluments are disclosed in note 10. The aggregate of the emoluments of the remaining three highest paid individuals (2004: two) is as follows:

| | **2005** ***RMB'000*** | 2004 *RMB'000* |
|---|---|---|
| Salaries and other emoluments | **416** | 228 |
| Retirement benefits | **72** | 42 |
| Bonuses | **1,511** | 838 |
| | **1,999** | 1,108 |

## 12 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

### (a) Taxation in the consolidated income statement represents:

| | **2005** | 2004 (restated) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| Charge for PRC enterprise income tax for the year | **436,780** | 457,050 |
| Over-provision in respect of previous years | **—** | (2,643) |
| | **436,780** | 454,407 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences (note 28) | **75,561** | 49,745 |
| Total income tax expense in the consolidated income statement | **512,341** | 504,152 |

***Reconciliation of effective tax rate:***

| | **2005** | 2004 (restated) |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before taxation | **1,669,294** | 1,576,213 |
| Expected PRC enterprise income tax expense at a statutory tax rate of 33% | **550,867** | 520,150 |
| Non-deductible expenses | **1,051** | 11,847 |
| Non-taxable income | **(12,390)** | (10,041) |
| Over-provision in respect of previous years | **—** | (2,643) |
| Differential tax rate on subsidiary's income | **(27,187)** | (15,161) |
| | **512,341** | 504,152 |

*Note:* *The charge for PRC enterprise income tax is calculated at the statutory rate of 33% (2004: 33%) on the estimated assessable profits of the year determined in accordance with relevant enterprise income tax rules and regulations, except for a subsidiary of the Company, which is taxed at a preferential rate of 15%.*

## 12 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT *(continued)*

### (b) Income tax in the balance sheets represents:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Charge for PRC enterprise income tax for the year | **436,780** | 457,050 | **364,463** | 421,452 |
| Payments made relating to the current year | **(325,599)** | (381,579) | **(285,365)** | (347,072) |
| PRC enterprise income tax payable (net) | **111,181** | 75,471 | **79,098** | 74,380 |
| Representing: | | | | |
| Tax payable | **113,970** | 84,681 | **79,098** | 74,380 |
| Tax recoverable | **(2,789)** | (9,210) | **—** | — |
| | **111,181** | 75,471 | **79,098** | 74,380 |

## 13 DIVIDENDS

### (a) These dividends have not been provided for in the financial statements:

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend proposed after balance sheet date of RMB0.065 per share (2004: RMB0.035) | **391,370** | 210,738 |

Pursuant to a resolution passed at the Directors' meeting held on 24 March 2006, a final dividend of RMB0.065 per share totalling RMB391,370,000 will be payable to shareholders, subject to the approval of the shareholders at the coming Annual General Meeting.

## 13 DIVIDENDS *(continued)*

### (b) Dividends paid during the year are as follows:

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Interim dividend of RMBNil per share for the year ended 31 December 2005 (2004: RMB0.02) | — | 105,122 |
| Final dividend of RMB0.035 per share for the year ended 31 December 2004 (2003: RMB0.035) | **210,738** | 183,963 |
| | **210,738** | 289,085 |

## 14 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2005 of RMB1,066,421,000 (2004: RMB1,045,708,000) and the weighted average number of shares in issue during the year ended 31 December 2005 of 5,957,334,000 (2004: 5,256,084,000).

### (b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2005 and 2004.

## 15 PROPERTY, PLANT AND EQUIPMENT

### (a) The Group

| | Buildings RMB'000 | Generators and related machinery and equipment RMB'000 | Motor vehicles, furniture, fixtures, equipment and others RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| ***Cost:*** | | | | |
| At 1 January 2004 | 5,599,514 | 17,888,466 | 517,808 | 24,005,788 |
| Additions | 11,448 | 6,096 | 16,409 | 33,953 |
| Through acquisition of subsidiaries | 1,210,506 | 1,956,631 | 22,115 | 3,189,252 |
| Transferred from construction in progress (note 16) | 679,442 | 1,319,086 | 52,371 | 2,050,899 |
| Disposals | — | (19,115) | (1,628) | (20,743) |
| At 31 December 2004 | 7,500,910 | 21,151,164 | 607,075 | 29,259,149 |
| At 1 January 2005 | 7,500,910 | 21,151,164 | 607,075 | 29,259,149 |
| Additions | 710 | 3,574 | 26,994 | 31,278 |
| Through acquisition of subsidiaries | — | — | 5,566 | 5,566 |
| Transferred from construction in progress (note 16) | 290,917 | 1,680,138 | 20,983 | 1,992,038 |
| Disposals | (6,952) | (526) | (8,494) | (15,972) |
| At 31 December 2005 | 7,785,585 | 22,834,350 | 652,124 | 31,272,059 |
| ***Accumulated depreciation:*** | | | | |
| At 1 January 2004 | 1,463,305 | 5,197,526 | 182,444 | 6,843,275 |
| Charge for the year | 323,685 | 1,126,529 | 61,175 | 1,511,389 |
| Written back on disposal | — | (19,102) | (1,461) | (20,563) |
| At 31 December 2004 | 1,786,990 | 6,304,953 | 242,158 | 8,334,101 |
| At 1 January 2005 | 1,786,990 | 6,304,953 | 242,158 | 8,334,101 |
| Charge for the year | 337,326 | 1,190,531 | 70,410 | 1,598,267 |
| Written back on disposal | (914) | (403) | (7,601) | (8,918) |
| At 31 December 2005 | 2,123,402 | 7,495,081 | 304,967 | 9,923,450 |
| ***Net book value:*** | | | | |
| At 31 December 2005 | 5,662,183 | 15,339,269 | 347,157 | 21,348,609 |
| At 31 December 2004 | 5,713,920 | 14,846,211 | 364,917 | 20,925,048 |

## 15 PROPERTY, PLANT AND EQUIPMENT *(continued)*

### (b) The Company

| | Buildings | Generators and related machinery and equipment | Motor vehicles, furniture, fixtures, equipment and others | Total |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| ***Cost:*** | | | | |
| At 1 January 2004 | 3,972,854 | 14,210,207 | 398,550 | 18,581,611 |
| Additions | 433 | 1,793 | 14,761 | 16,987 |
| Transferred from construction in progress (note 16) | 3,022 | 122,968 | 34,210 | 160,200 |
| Disposals | — | (16,321) | (513) | (16,834) |
| At 31 December 2004 | 3,976,309 | 14,318,647 | 447,008 | 18,741,964 |
| At 1 January 2005 | 3,976,309 | 14,318,647 | 447,008 | 18,741,964 |
| Additions | 710 | 2,498 | 14,491 | 17,699 |
| Transferred from construction in progress (note 16) | 26,496 | 162,445 | 11,929 | 200,870 |
| Disposals | (923) | (526) | (4,431) | (5,880) |
| At 31 December 2005 | 4,002,592 | 14,483,064 | 468,997 | 18,954,653 |
| ***Accumulated depreciation:*** | | | | |
| At 1 January 2004 | 1,200,873 | 4,651,117 | 140,730 | 5,992,720 |
| Charge for the year | 187,795 | 752,559 | 35,859 | 976,213 |
| Written back on disposal | — | (16,308) | (491) | (16,799) |
| At 31 December 2004 | 1,388,668 | 5,387,368 | 176,098 | 6,952,134 |
| At 1 January 2005 | 1,388,668 | 5,387,368 | 176,098 | 6,952,134 |
| Charge for the year | 188,042 | 745,734 | 39,547 | 973,323 |
| Written back on disposal | (340) | (403) | (3,656) | (4,399) |
| At 31 December 2005 | 1,576,370 | 6,132,699 | 211,989 | 7,921,058 |
| ***Net book value:*** | | | | |
| At 31 December 2005 | 2,426,222 | 8,350,365 | 257,008 | 11,033,595 |
| At 31 December 2004 | 2,587,641 | 8,931,279 | 270,910 | 11,789,830 |

### (c) All of the Group's buildings are located in the PRC.

## 16 CONSTRUCTION IN PROGRESS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Balance at 1 January | **2,876,732** | 709,699 | **696,249** | 160,648 |
| Through acquisition of subsidiaries | **2,046,274** | 1,359,268 | **—** | — |
| Additions | **6,117,175** | 2,858,664 | **2,654,628** | 695,801 |
| Transferred to property, plant and equipment (note 15) | **(1,992,038)** | (2,050,899) | **(200,870)** | (160,200) |
| Balance at 31 December | **9,048,143** | 2,876,732 | **3,150,007** | 696,249 |

## 17 LEASE PREPAYMENTS

Lease prepayments represent fees for land use rights paid to the PRC's land bureau.

## 18 INTANGIBLE ASSETS

### (a) The Group

| | **Goodwill** | **Negative goodwill** | **Total** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| ***Cost:*** | | | |
| At 1 January 2004 and 31 December 2004 | 65,173 | (10,998) | 54,175 |
| At 1 January 2005 | 65,173 | (10,998) | 54,175 |
| Opening balance adjustment (note 3(a)) | (20,742) | 10,998 | (9,744) |
| At 31 December 2005 | 44,431 | — | 44,431 |
| ***Accumulated amortisation:*** | | | |
| At 1 January 2004 | 16,473 | (3,299) | 13,174 |
| Amortisation charge for the year | 4,269 | (733) | 3,536 |
| At 31 December 2004 | 20,742 | (4,032) | 16,710 |
| At 1 January 2005 | 20,742 | (4,032) | 16,710 |
| Opening balance adjustment (note 3(a)) | (20,742) | 4,032 | (16,710) |
| At 31 December 2005 | — | — | — |
| ***Carrying amount:*** | | | |
| At 31 December 2005 | 44,431 | — | 44,431 |
| At 31 December 2004 | 44,431 | (6,966) | 37,465 |

## 18 INTANGIBLE ASSETS *(continued)*

### (b) The Company

| | **Goodwill** *RMB'000* |
|---|---|
| ***Cost:*** | |
| At 1 January 2004 and 31 December 2004 | 60,330 |
| ***At 1 January 2005*** | 60,330 |
| Opening balance adjustment (note 3(a)) | (14,873) |
| At 31 December 2005 | 45,457 |
| ***Accumulated amortisation:*** | |
| At 1 January 2004 | 11,521 |
| Amortisation charge for the year | 3,352 |
| At 31 December 2004 | 14,873 |
| At 1 January 2005 | 14,873 |
| Opening balance adjustment (note 3(a)) | (14,873) |
| At 31 December 2005 | — |
| ***Carrying amount:*** | |
| At 31 December 2005 | 45,457 |
| At 31 December 2004 | 45,457 |

Goodwill in the Company's balance sheet was transferred from a subsidiary, which transferred all of the business, including assets and liabilities to the Company and was dissolved at the same time in 2000.

In 2004, goodwill was amortised on a straight line basis over 10 to 18 years. The amortisation of goodwill for the year ended 31 December 2004 was included in "Depreciation and amortisation" in the consolidated income statement.

As explained further in note 3(a) with effect from 1 January 2005, the Group no longer amortises goodwill. In accordance with the transitional provisions set out in IFRS 3, as at 1 January 2005, the accumulated amortisation of positive goodwill has been eliminated against the cost of goodwill and any negative goodwill has been derecognised as at that date.

## 19 INTEREST IN SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* |
| Unlisted shares, at cost | **2,327,813** | 1,406,873 |

The particulars of principal subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2005 are as follows:

| | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|
| **Company** | **Paid up capital** *RMB'000* | **Group's effective interest** *%* | **held by the Company** *%* | **held by subsidiary** *%* | **Principal activities** |
| Sichuan Guangan Power Generation Company Limited ("Guangan Company") | 1,270,260 | 80 | 80 | — | Generation and sale of electricity |
| Huadian Qingdao Power Company Limited ("Qingdao Company") | 380,000 | 55 | 55 | — | Generation and sale of electricity and heat |
| Huadian Zibo Power Company Limited | 374,800 | 100 | 100 | — | Generation and sale of electricity and heat |
| Huadian Zhangqiu Power Company Limited | 380,508 | 80.41 | 80.41 | — | Generation and sale of electricity |

## 19 INTEREST IN SUBSIDIARIES *(continued)*

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2005 are as follows: *(continued)*

| Company | Paid up capital | Proportion of ownership interest: Group's effective interest | held by the Company | held by subsidiary | Principal activities |
|---|---|---|---|---|---|
| | *RMB'000* | % | % | % | |
| Huadian Tengzhou Xinynan Power Company Limited | 245,000 | 54.49 | 54.49 | — | Generation and sale of electricity and heat |
| Huadian International Shandong Materials Company Limited | 30,000 | 94 | 40 | 60 | Procurement of materials |
| Huadian Qingdao Heat Company Limited | 20,000 | 55 | 55 | — | Sale of heat |
| Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company") (Note) | 69,000 | 90 | 90 | — | Development of power plant |
| Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company") (Note) | 55,000 | 97 | 97 | — | Development of power plant |

*Note: These companies were newly acquired in 2005.*

## 20 INTEREST IN ASSOCIATES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Unlisted shares, at cost | **—** | — | **869,540** | 375,740 |
| Share of net assets | **918,211** | 410,163 | **—** | — |
| | **918,211** | 410,163 | **869,540** | 375,740 |

The particulars of the associates, which are limited liability companies established and operating in the PRC, at 31 December 2005 are as follows:

| | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|
| **Company** | **Paid up capital** | **Group's effective interest** | **held by the Company** | **held by subsidiary** | **Principal activities** |
| | *RMB'000* | % | % | % | |
| Ningxia Power Generation Company (Group) Limited | 900,000 | 31.11 | 31.11 | — | Generation and sale of electricity and investment holding |
| Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company") | 640,000 | 40 | 40 | — | Generation and sale of electricity |
| Huadian Property Co. Ltd. ("Huadian Property") (Note) | 550,000 | 30 | 30 | — | Property development |
| Sichuan Luzhou Chuannan Power Generation Company Limited (Note) | 200,000 | 40 | 40 | — | Development of power plant |
| Ningxia Yinglite Zhongning Power Company Limited | 171,200 | 50 | 50 | — | Generation and sale of electricity |
| Sichuan Huayingshan Longtan Coal Company Limited | 82,260 | 36 | — | 45 | Development of coal mines and sale of coal |

*Note: These companies were newly set up in 2005.*

## 20 INTEREST IN ASSOCIATES *(continued)*

### Summary financial information on associates

| | Assets | Liabilities | Equity | Revenues | Profit |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **2005** | | | | | |
| 100 percent | 10,980,517 | (8,328,808) | 2,651,709 | 698,358 | 37,270 |
| Group's effective interest | 4,236,672 | (3,318,461) | 918,211 | 324,096 | 16,636 |
| **2004** | | | | | |
| 100 percent | 5,801,583 | (4,618,480) | 1,183,103 | 42,920 | 922 |
| Group's effective interest | 2,246,086 | (1,835,923) | 410,163 | 13,352 | 263 |

## 21 INTEREST IN A JOINTLY CONTROLLED ENTITY

| | The Company | |
|---|---|---|
| | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* |
| Unlisted interests, at cost | **193,983** | 193,983 |

The particulars of a jointly controlled entity, which is a limited liability company established and operating in the PRC, at 31 December 2005 are as follows:

| | | Proportion of ownership interest | | | |
|---|---|---|---|---|---|
| Company | Paid up capital | Group's effective interest | held by the Company | held by subsidiary | Principal activities |
| | *RMB'000* | % | % | % | |
| Huadian Weifang Power Generation Company Limited ("Weifang Company") (formerly known as Weifang Power Plant Phase I) | 200,000 | 30 | 30 | — | Generation and sale of electricity |

Weifang Power Plant Phase I registered as a limited liability company in the PRC on 16 December 2005 and changed its name to Huadian Weifang Power Generation Company Limited.

## 21 INTEREST IN A JOINTLY CONTROLLED ENTITY *(continued)*

Included in the consolidated financial statements are the following items that represent the Group's interests in the assets and liabilities, revenues and expenses of the jointly controlled entity:

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Non-current assets | **905,032** | 701,551 |
| Current assets | **57,025** | 68,822 |
| Non-current liabilities | **(269,879)** | (66,113) |
| Current liabilities | **(385,538)** | (403,967) |
| Net assets | **306,640** | 300,293 |
| Revenue | **336,631** | 1,006,723 |
| Expenses | **(326,143)** | (941,750) |
| Profit for the year | **10,488** | 64,973 |

## 22 OTHER INVESTMENTS

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Unlisted equity securities, at cost | **175,639** | 175,639 | **172,939** | 172,939 |

Other investments of the Group and the Company mainly include investment in Shandong Luneng Heze Coal Power Development Company Limited ("Heze Company") amounting to RMB91,339,000. The principal activities of Heze Company are the development and exploration of coalmine and coal-electricity base in Juye coalfield. The Group and Company own 18.4% equity interest in Heze Company as at 31 December 2005.

## 23 INVENTORIES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Coal | **343,374** | 155,869 | **181,111** | 58,741 |
| Fuel oil | **35,400** | 39,712 | **19,856** | 23,250 |
| Materials, components and spare parts | **180,073** | 162,455 | **112,557** | 101,278 |
| | **558,847** | 358,036 | **313,524** | 183,269 |

## 24 TRADE AND BILLS RECEIVABLES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Trade and bills receivables for the sale of electricity | **1,214,094** | 991,515 | **653,690** | 572,929 |
| Trade and bills receivables for the sale of heat | **49,238** | 58,980 | **627** | — |
| | **1,263,332** | 1,050,495 | **654,317** | 572,929 |

Receivables from sale of electricity are due within 30 days from the date of billing. Receivables from sale of heat are due within 90 days from the date of billing.

The ageing analysis of trade and bills receivables is as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Within one year | **1,247,413** | 1,020,280 | **654,317** | 572,929 |
| Between one and two years | **17** | 3,030 | **—** | — |
| Between two and three years | **1,594** | 25,572 | **—** | — |
| More than three years | **14,308** | 1,613 | **—** | — |
| | **1,263,332** | 1,050,495 | **654,317** | 572,929 |

## 25 CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Cash and bank balances | **845,554** | 1,203,466 | **484,486** | 417,886 |
| Deposits with banks and other financial institutions | **88** | 56,661 | **88** | 56,661 |
| | **845,642** | 1,260,127 | **484,574** | 474,547 |

## 26 LOANS

### (a) Bank loans

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Due: | | | | |
| Within one year | | | | |
| – short term bank loans | **3,794,297** | 2,567,810 | **1,158,597** | 961,511 |
| – current portion of long term bank loans | **1,698,254** | 1,308,759 | **608,243** | 954,848 |
| | **5,492,551** | 3,876,569 | **1,766,840** | 1,916,359 |
| Between one and two years | **2,055,743** | 1,863,331 | **996,071** | 564,848 |
| Between two to five years | **5,315,555** | 4,414,719 | **2,127,687** | 1,394,560 |
| After five years | **2,414,593** | 2,222,025 | **—** | 642,000 |
| | **9,785,891** | 8,500,075 | **3,123,758** | 2,601,408 |
| | **15,278,442** | 12,376,644 | **4,890,598** | 4,517,767 |

All of the bank loans are unsecured, except for an amount of RMB1,930,000,000 (2004: RMB1,480,000,000) in a subsidiary, which is secured by the income stream in respect of the sale of electricity of the subsidiary.

## 26 LOANS *(continued)*

### (a) Bank loans *(continued)*

Details of the currencies, interest rates and maturity dates of bank loans are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| ***Renminbi loans*** | | | | |
| Floating interest rates mainly ranging from 4.70% to 6.12% per annum as at 31 December 2005 (2004: 4.54% to 5.85%), with maturities up to 2021 | **13,891,560** | 10,966,858 | **3,552,220** | 3,160,421 |
| ***US dollars loans*** | | | | |
| Floating interest rates mainly ranging from 4.60% to 5.86% per annum as at 31 December 2005 (2004: 2.30% to 3.94%) with maturities up to 2017 | **1,386,882** | 1,409,786 | **1,338,378** | 1,357,346 |
| | **15,278,442** | 12,376,644 | **4,890,598** | 4,517,767 |

The Group and the Company have US Dollars bank loans amounting to US$171,852,000 (2004: US$170,336,000) and US$165,842,000 (2004: US$164,000,000) respectively.

### (b) Loans from shareholders

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Due: | | | | |
| Within one year | **175,000** | 335,000 | **175,000** | 335,000 |
| Between one and two years | **—** | 175,000 | **—** | 175,000 |
| Between two to five years | **335,000** | — | **335,000** | — |
| After five years | **800,000** | — | **250,000** | — |
| | **1,135,000** | 175,000 | **585,000** | 175,000 |
| | **1,310,000** | 510,000 | **760,000** | 510,000 |

## 26 LOANS *(continued)*

### (b) Loans from shareholders *(continued)*

All of the loans from shareholders are unsecured and denominated in RMB. Details of the interest rates and maturity dates of loans from shareholders are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Loans from Shandong International Trust and Investment Corporation ("SITIC") | | | | |
| Floating interest rate ranging from 5.27% to 5.85% per annum as at 31 December 2005 (2004: 5.76%) with maturities up to 2011 | **760,000** | 510,000 | **760,000** | 510,000 |
| Loans from China Huadian Corporation ("China Huadian") (Note) | | | | |
| Fixed interest rate of 4.98% per annum as at 31 December 2005 wholly repayable in 2015 | **550,000** | — | **—** | — |
| | **1,310,000** | 510,000 | **760,000** | 510,000 |

*Note: Loans from China Huadian represent corporate debentures issued by China Huadian, part of which was then on – lent to the Group with the same interest rate and repayment term as disclosed above.*

## 26 LOANS (continued)

### (c) State loans

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Due: | | | | |
| Within one year | **9,584** | 9,111 | **9,584** | 9,111 |
| Between one and two years | **10,340** | 9,831 | **10,340** | 9,831 |
| Between two to five years | **36,374** | 34,380 | **36,169** | 34,380 |
| After five years | **23,465** | 35,281 | **21,420** | 35,281 |
| | **70,179** | 79,492 | **67,929** | 79,492 |
| | **79,763** | 88,603 | **77,513** | 88,603 |

The state loans mainly represent an US Dollars state loan amounting to US$9,605,000 (2004: US$10,705,000), which bears floating interest rate of 3.77% per annum (2004: 2.05%), with maturities up to 2012.

The loans mainly represent a loan facility of US$310 million granted by the International Bank for Reconstruction and Development (the "World Bank") to the PRC state government pursuant to a loan agreement entered into in 1992, to finance the Zouxian Phase III project. According to the terms of the aforesaid loan agreement, the PRC state government on-lent the loan facility to the Shandong Provincial Government which in turn on-lent it to Shandong Electric Power (Group) Corporation ("SEPCO"). Pursuant to a notice from the Finance Office of Shandong Province dated 5 August 1997 and as formally agreed by the World Bank, part of the loan facility in the principal amount of US$278.25 million was made available by the Shandong Provincial Government to the Company. The repayment of this loan is guaranteed by SEPCO.

## 26 LOANS *(continued)*

### (d) Other loans

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Due: | | | | |
| Within one year | | | | |
| – short term other loans | **300,000** | 548,037 | **42,000** | 198,037 |
| – current portion of long term other loans | **98,623** | 81,305 | **—** | — |
| | **398,623** | 629,342 | **42,000** | 198,037 |
| Between one and two years | **828,623** | 99,102 | **700,000** | — |
| Between two to five years | **537,024** | 899,720 | **198,037** | 700,000 |
| After five years | **—** | 9,554 | **—** | — |
| | **1,365,647** | 1,008,376 | **898,037** | 700,000 |
| | **1,764,270** | 1,637,718 | **940,037** | 898,037 |

## 26 LOANS *(continued)*

### (d) Other loans *(continued)*

All of the other loans are unsecured, denominated in RMB, except for an US Dollars loan of the Group amounting to US$10,384,000 (2004: US$12,693,000). Details of the interest rates and maturity dates of other loans are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| **Loans from China Huadian Finance Corporation Limited ("China Huadian Finance")** | | | | |
| Floating interest rates ranging from 5.02% to 5.27% per annum as at 31 December 2005 (2004: 4.54% to 4.94%) with maturities up to 2010 | **1,288,037** | 978,037 | **898,037** | 898,037 |
| **Loans from a subsidiary** | | | | |
| Floating interest rates of 5.02% per annum as at 31 December 2005 with maturity up to 2006 | **—** | — | **42,000** | — |
| **Others** | | | | |
| Floating interest rates ranging from 5.27% to 5.3% per annum as at 31 December 2005 (2004: 3.41% to 5.76%) with maturities up to 2010 | **476,233** | 659,681 | **—** | — |
| | **1,764,270** | 1,637,718 | **940,037** | 898,037 |

## 27 TRADE AND BILLS PAYABLES

All of the trade and bills payables are expected to be settled within one year.

## 28 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are attributable to the items detailed in the table below:

**The Group:**

| | Assets | | Liabilities | | Net | |
|---|---|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Pre-operating expenses | **8,431** | 12,537 | **—** | — | **8,431** | 12,537 |
| Provision for inventories and receivables | **25,461** | 26,289 | **—** | — | **25,461** | 26,289 |
| Depreciation of property, plant and equipment | **1,160** | 1,160 | **(369,489)** | (303,593) | **(368,329)** | (302,433) |
| Fair value adjustment on property, plant and equipment and construction in progress | **—** | — | **(76,590)** | (56,387) | **(76,590)** | (56,387) |
| Expenses to be claimed on paid basis | **34,923** | 26,677 | **—** | — | **34,923** | 26,677 |
| Capitalisation of general borrowing costs | **—** | — | **(19,007)** | — | **(19,007)** | — |
| Others | **2,159** | 2,185 | **—** | — | **2,159** | 2,185 |
| | **72,134** | 68,848 | **(465,086)** | (359,980) | **(392,952)** | (291,132) |
| Set-off within legal tax units and jurisdictions | **(25,916)** | (7,181) | **25,916** | 7,181 | **—** | — |
| Net deferred tax liabilities | **46,218** | 61,667 | **(439,170)** | (352,799) | **(392,952)** | (291,132) |

**The Company:**

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Pre-operating expenses | **1,227** | 1,914 |
| Provision for inventories and receivables | **20,067** | 20,588 |
| Depreciation of property, plant and equipment | **1,160** | 1,160 |
| Expenses to be claimed on paid basis | **28,372** | 26,677 |
| Capitalisation of general borrowing costs | **(12,605)** | — |
| Others | **—** | 72 |
| Deferred tax assets | **38,221** | 50,411 |

There is no significant deferred tax asset or liability not recognised in the financial statements.

## 28 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Movements in temporary differences between calculations of certain items for accounting and for taxation purposes are as follows:

**The Group:**

| | Balance at 1 January 2004 RMB'000 | Through acquisition of subsidiaries RMB'000 | Recognised in the 2004 income statement RMB'000 | Balance at 1 January 2005 RMB'000 | Through acquisition of subsidiaries RMB'000 | Recognised in the 2005 income statement RMB'000 | Balance at 31 December 2005 RMB'000 |
|---|---|---|---|---|---|---|---|
| Pre–operating expenses | 19,183 | 2,763 | (9,409) | **12,537** | **—** | **(4,106)** | **8,431** |
| Provision for inventories and receivables | 25,010 | 1,514 | (235) | **26,289** | **—** | **(828)** | **25,461** |
| Depreciation of property, plant and equipment | (148,239) | (98,651) | (55,543) | **(302,433)** | **—** | **(65,896)** | **(368,329)** |
| Fair value adjustment on property, plant and equipment and construction in progress | (46,854) | (13,069) | 3,536 | **(56,387)** | **(26,259)** | **6,056** | **(76,590)** |
| Expenses to be claimed on paid basis | 14,850 | — | 11,827 | **26,677** | **—** | **8,246** | **34,923** |
| Capitalisation of general borrowing costs | — | — | — | **—** | **—** | **(19,007)** | **(19,007)** |
| Others | 1,156 | 950 | 79 | **2,185** | **—** | **(26)** | **2,159** |
| | (134,894) | (106,493) | (49,745) | **(291,132)** | **(26,259)** | **(75,561)** | **(392,952)** |
| | | | (note 12(a)) | | | (note 12(a)) | |

**The Company:**

| | Balance at 1 January 2004 RMB'000 | Recognised in the 2004 income statement RMB'000 | Balance at 1 January 2005 RMB'000 | Recognised in the 2005 Income Statement RMB'000 | Balance at 31 December 2005 RMB'000 |
|---|---|---|---|---|---|
| Pre-operating expenses | 5,141 | (3,227) | **1,914** | **(687)** | **1,227** |
| Provision for inventories and receivables | 20,710 | (122) | **20,588** | **(521)** | **20,067** |
| Depreciation of property, plant and equipment | 2,697 | (1,537) | **1,160** | **—** | **1,160** |
| Expenses to be claimed on paid basis | 14,850 | 11,827 | **26,677** | **1,695** | **28,372** |
| Capitalisation of general borrowing costs | — | — | **—** | **(12,605)** | **(12,605)** |
| Others | — | 72 | **72** | **(72)** | **—** |
| | 43,398 | 7,013 | **50,411** | **(12,190)** | **38,221** |

## 29 SHARE CAPITAL AND RESERVES

(a) The registered, issued and fully paid capital of the Company comprises 4,021,056,200 unlisted domestic shares of RMB1 each (2004: 3,825,056,200), 569,000,000 A shares of RMB1 each (2004: Nil) and 1,431,028,000 H shares of RMB1 each (2004: 1,431,028,000). All shares rank pari passu in all material respects.

In January 2005, the Company issued its 765,000,000 RMB ordinary shares with nominal value of RMB1 each at an issue price of RMB2.52 each for cash. The RMB ordinary shares include 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares are listed on the Shanghai Stock Exchange in February 2005. Total net proceeds raised from issuing the RMB ordinary shares amounted to RMB1,885,501,000, of which RMB765,000,000 was credited to share capital and the balance of RMB1,120,501,000 was credited to the capital reserve account.

(b) Capital reserve mainly represents premium received from issuance of shares, less expenses, which are required to be included in this reserve by PRC regulations.

(c) According to the Company's Articles of Association, the Company is required to transfer at least 10% (at the discretion of the Board of Directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. The Directors resolved to transfer 10% (2004: 10%) of the profit for the year ended 31 December 2005 to this reserve on 24 March 2006.

(d) According to the Company's Articles of Association, the Company is required to transfer 5% to 10% (at the discretion of the Board of Directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the Company's employees such as the construction of dormitories, canteens and other staff welfare facilities. This fund is non-distributable other than on the Company's liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders. The Directors resolved to transfer 5% (2004: 5%) of the profit for the year ended 31 December 2005 to the fund on 24 March 2006.

(e) Pursuant to PRC Accounting Regulations for Business Enterprises, statutory public welfare fund is transferred to discretionary surplus reserve upon utilisation for the collective benefits of the employees. For the year ended 31 December 2005, RMB4,399,000 (2004: RMB3,035,000) of the statutory public welfare fund was transferred to discretionary surplus reserve accordingly.

(f) According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRS. As of 31 December 2005, the retained profits available for distribution were RMB2,153,377,000 (2004: RMB1,894,694,000), after taking into account the current year's proposed final dividend (see note 13) and the transfer to the statutory surplus reserve and the statutory public welfare fund according to the Company's Articles of Association.

(g) The profit attributable to ordinary equity shareholders for 2005 includes a profit of RMB802,298,000 (2004: RMB887,082,000) which has been dealt with in the financial statements of the Company.

## 30 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with China Huadian, fellow subsidiaries and SITIC

The Group is a part of a larger group of companies under China Huadian, which together with SITIC are also owned by the PRC government and has significant transactions and relationships with China Huadian, fellow subsidiaries and SITIC. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among unrelated parties.

The principal related party transactions with China Huadian, fellow subsidiaries and SITIC, which were carried out in the ordinary course of business, are as follows:

| | Note | **2005** <br> ***RMB'000*** | 2004 <br> *RMB'000* |
|---|---|---|---|
| Construction costs paid and payable to entities controlled by the holding company | (i) | **17,109** | 19,797 |
| Interest expenses | (ii) | **97,820** | 58,250 |
| Loans obtained from related parties | (iii) | **1,293,037** | 1,243,037 |
| Loans repaid to related parties | (iii) | **683,037** | 301,944 |

*Notes:*

*(i)* *The amount represented construction costs paid and payable to China Huadian Engineering (Group) Company ("China Huadian Engineering"), a subsidiary of China Huadian.*

*In December 2003, Qingdao Company entered into a construction agreement with China Huadian Engineering and ALSTOM Power Norway AS in respect of the construction work of a sea water de-sulphurisation project for a consideration of US$5,790,000 (approximately RMB47,922,000).*

*In November 2005, the Company and Weifang Company entered into construction agreements with China Huadian Engineering in respect of construction work of waste-water recycling systems for considerations of RMB76,658,000 and RMB50,900,000 (Group's proportionate share: RMB15,270,000) respectively.*

*(ii)* *Interest paid represented interest charges on loans obtained from SITIC, China Huadian and China Huadian Finance.*

*(iii)* *Loans were obtained from/repaid to SITIC, China Huadian and China Huadian Finance. Details of the loans are set out in note 26(b) and 26(d) respectively.*

*(iv)* *The Company acquired 80% equity interest in Guangan Company from China Huadian for a total consideration of RMB580.8 million in January 2004.*

*(v)* *The Company acquired 40% equity interest in Chizhou Company from China Huadian for a total consideration of RMB79.74 million in August 2004.*

## 30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

### (a) Transactions with China Huadian, fellow subsidiaries and SITIC *(continued)*

*(vi) On 8 June 2005, the Company, China Huadian and certain fellow subsidiaries set up a company, Huadian Property, in Beijing, the PRC. Huadian Property has a registered capital of RMB550 million. The Company owns 30% equity interest in Huadian Property with a cost of investment amounting to RMB165 million.*

*(vii) The Company acquired 97% equity interest in Suzhou Company and 90% equity interest in Xinxiang Company from China Huadian for considerations of RMB74.9 million and RMB90.1 million, respectively in December 2005.*

### (b) Transactions with key management personnel

Remuneration for key management personnel, including amounts paid to the company's directors and supervisors as disclosed in note 10 and certain of the highest paid employees as disclosed in note 11, is as follows:

| | **2005** | 2004 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Salaries and other emoluments | **1,481** | 1,192 |
| Retirement benefits | **229** | 181 |
| Bonuses | **4,371** | 3,441 |
| | **6,081** | 4,814 |

Total remuneration is included in "personnel costs" (see note 6).

### (c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. The details of the Group's employee benefits plan are disclosed in note 31. As at 31 December 2005, there was no material outstanding contribution to post-employment benefit plans.

### (d) Transactions with other state-owned entities in the PRC

The Group is a state-owned entity and operates in an economic regime currently predominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as "state-owned entities"). Apart from transactions mentioned in note 30(a), the Group conducts a majority of its business activities with state-owned entities in the ordinary course of business. These transactions include sale of electricity and heat, purchase of coal and materials, purchase of property, plant and equipment and obtaining finance and are carried out at terms similar to those that would be entered into with non-state-owned entities. The Group believes that it has provided meaningful disclosure of related party transactions in note 30(a).

## 31 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at a rate of 20% (2004: 20%) of the total staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group established a defined contribution retirement plan, also operated by the State to supplement the above-mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB149,357,000 during the year (2004: RMB127,262,000) which was charged to the consolidated income statement.

## 32 ACQUISITION OF SUBSIDIARIES

In 2005, the Group acquired certain subsidiaries. The fair value of assets acquired and liabilities assumed were as follows:

| | Carrying amounts *RMB'000* | Fair value adjustments *RMB'000* | Recognised values *RMB'000* |
|---|---|---|---|
| Property, plant and equipment | 5,566 | — | 5,566 |
| Construction in progress | 1,966,683 | 79,591 | 2,046,274 |
| Deposits, other receivables and prepayments | 310 | — | 310 |
| Cash and cash equivalents | 11,089 | — | 11,089 |
| Trade and other payables | (29,648) | — | (29,648) |
| Loans | (1,830,000) | — | (1,830,000) |
| Deferred tax liabilities | — | (26,259) | (26,259) |
| Minority interests | (8,550) | (3,782) | (12,332) |
| Total | 115,450 | 49,550 | 165,000 |
| Less: Cash and cash equivalents acquired | | | (11,089) |
| Amounts due to holding company | | | (33,000) |
| Net cash outflow | | | 120,911 |

The acquisitions have no material effect on the Group's net profit for the year.

## 33 COMMITMENTS

### (a) Capital commitments

The Group (excluding jointly controlled entity) and the Company had capital commitments outstanding at 31 December not provided for in the financial statements as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* | ***RMB'000*** | *RMB'000* |
| Contracted for | | | | |
| – Development of power plants | **12,188,311** | 6,185,912 | **5,206,305** | 2,995,935 |
| – Investments | **461,800** | 796,940 | **1,589,700** | 790,600 |
| – Improvement projects and others | **216,687** | 276,921 | **201,537** | 12,880 |
| | **12,866,798** | 7,259,773 | **6,997,542** | 3,799,415 |
| Authorised but not contracted for | | | | |
| – Development of power plants | **12,726,711** | 9,367,247 | **5,703,750** | 5,557,685 |
| – Improvement projects and others | **762,482** | 567,380 | **499,836** | 103,627 |
| | **13,489,193** | 9,934,627 | **6,203,586** | 5,661,312 |
| | **26,355,991** | 17,194,400 | **13,201,128** | 9,460,727 |

In addition to the above, the Group's proportionate share of the jointly controlled entity's capital expenditure commitments amounted to RMB1,058,502,000 at 31 December 2005 (2004: RMB312,096,000).

### (b) Operating lease commitments

At 31 December 2005, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

| | The Group and the Company | |
|---|---|---|
| | **2005** | 2004 |
| | ***RMB'000*** | *RMB'000* |
| Within one year | **33,978** | 34,778 |
| After one year but within five years | **120,712** | 120,712 |
| After five years | **502,967** | 533,145 |
| | **657,657** | 688,635 |

Pursuant to an agreement entered into with the state, the Company is leasing certain land from the state for a term of 30 years with effect from 1 September 1997. The current annual rental effective from 1 January 2001 is RMB30,178,000. The annual rental will be adjusted every five years thereafter with an upward adjustment of not more than 30% of the previous year's rental. The future minimum lease payments in respect of the land is calculated based on the existing annual rental of RMB30,178,000 as the revision of annual rental is still under negotiation.

## 34 CONTINGENT LIABILITIES

At 31 December 2005, the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB876,911,000 (2004: RMB1,197,975,000).

## 35 FORWARD CONTRACTS

In order to hedge with the foreign currency risk of the aforesaid US Dollars loans, the Company entered into several foreign currency forward contracts during 2005.

## 36 FINANCIAL INSTRUMENTS

Exposure to interest rate, credit, currency and liquidity risks arises in the normal course of the Group's business. Derivative financial instruments are used to hedge exposure to fluctuation in foreign exchange rates. These risks are limited by the Group's financial management policies and practices described below.

### (a) Interest rate risks

The interest rates and terms of repayment of the outstanding loans of the Group are disclosed in note 26.

### (b) Credit risks

Substantially all of the Group's cash and cash equivalents and fixed deposits maturing over three months are deposited with the four largest state-owned banks of the PRC.

SEPCO and Sichuan Electric Power Corporation, the provincial grid companies, are the purchasers of electricity supplied by the Group. The details of sale and receivables from sale of electricity are as follows:

| | **2005**<br>***RMB'000*** | 2004<br>*RMB'000* |
|---|---|---|
| Sale of electricity to: | | |
| SEPCO | **11,402,256** | 9,021,456 |
| Sichuan Electric Power Corporation | **1,632,351** | 954,278 |
| Receivables from sale of electricity: | | |
| SEPCO | **974,809** | 787,156 |
| Sichuan Electric Power Corporation | **239,285** | 204,359 |

The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the balance sheet.

No other financial assets carry a significant exposure to credit risk.

### (c) Foreign currency risk

The Group has foreign currency risk as certain loans are denominated in US dollars. Depreciation or appreciation of US dollars against the Renminbi will affect the Group's financial position and results of operations.

The Company had entered into several US dollars forward contracts with banks to hedge against the foreign currency risk in respect of the US dollars loans (note 35).

## 36 FINANCIAL INSTRUMENTS *(continued)*

### (d) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

### (e) Fair value

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 and IAS 39. Fair value estimates, methods and assumptions, set forth below for the Group's financial instruments, are made to comply with the requirements of IAS 32 and IAS 39, and should be read in conjunction with the Group's consolidated financial statements and related notes. The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgment is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The following summarise the major methods and assumptions used in estimating the fair values of the Group's financial instruments.

The carrying values of the Group's current financial assets and liabilities are estimated to approximate to their fair values based on the nature or short-term maturity of these instruments.

The forward exchange contracts are stated at their fair values.

Investments are unlisted equity interests and there are no quoted market prices for such interests in the PRC. Accordingly, a reasonable estimate of fair value could not be made without incurring excessive costs.

The carrying value of the Group's non-current financial liabilities are estimated to approximate their fair values based on a discounted cash flow approach using interest rates available to the Group for similar indebtedness.

## 37 ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The significant accounting policies are set forth in note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

### (a) Impairment for long-lived assets

If circumstances indicate that the net book value of a long-lived asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36 "Impairment of assets". The carrying amounts of long-lived assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, tariff and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, tariff and amount of operating costs.

### (b) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

### (c) Impairment for bad and doubtful debts

The Group estimates impairment losses for bad and doubtful debts resulting from the inability of the customers to make the required payments. The Group bases the estimates on the aging of the accounts receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than estimated.

*(Expressed in Renminbi)*

## 38 NON-ADJUSTING POST BALANCE SHEET EVENT

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 13.

## 39 COMPARATIVE FIGURES

Certain comparative figures have been re-classified to conform with the current year presentation and as a result of the changes in accounting policies. Further details are disclosed in note 3.

## 40 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 31 DECEMBER 2005

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ended 31 December 2005 and which have not been adopted in these financial statements.

Of these developments, the following relate to matters that may be relevant to the Group's operations and financial statements:

| | | **Effective for accounting periods beginning on or after** |
|---|---|---|
| IFRIC 4 | Determining whether an arrangement contains a lease | 1 January 2006 |
| Amendments to IAS 19 | Employee benefits-Actuarial Gains and Losses, Group Plans and Disclosures | 1 January 2006 |
| Amendments to IAS 39 | Financial instruments: Recognition and measurement: | |
| | – The fair value option | 1 January 2006 |
| | – Financial guarantee contracts | 1 January 2006 |
| IFRS 7 | Financial instruments: disclosures | 1 January 2007 |
| Amendment to IAS 1 | Presentation of financial statements: capital disclosures | 1 January 2007 |

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them may result in new or amended disclosures, it is unlikely to have a significant impact on the Group's results of operations and financial position.

## 41 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be China Huadian, which is a state-owned enterprise established in the PRC.