

CONSOLIDATED BALANCE SHEET

as at 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

	Note	2005	2004
ASSETS			
Current assets			
Cash at bank and in hand	4	845,642	1,270,879
Bank acceptance bills receivable		6,475	49,633
Trade receivables	5	1,256,857	1,000,862
Other receivables	6	69,441	96,779
Prepayments	7	11,168	349,578
Inventories	8	558,847	358,036
Total current assets		2,748,430	3,125,767
Long-term investments			
Long-term equity investments	9	1,374,344	845,812
Including consolidation difference and equity investment difference			
		283,017	262,827
Fixed assets			
Fixed assets, at cost		33,007,379	30,992,853
Less: Accumulated depreciation		(11,829,642)	(10,267,481)
Net book value of fixed assets	10	21,177,737	20,725,372
Construction materials	11	5,062,900	1,881,316
Construction in progress	11	3,850,818	1,007,498
Total fixed assets		30,091,455	23,614,186
Intangible assets and other assets			
Intangible assets	12	170,747	143,276
Deferred taxation			
Deferred tax assets	20	58,822	61,667
Total assets		34,443,798	27,790,708

He Gong
Legal
representative

Zhu Fangxin
Person in charge
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Tao Yunpang
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The notes on pages 134 to 186 form part of these financial statements.

CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

	Note	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	13	4,094,297	3,115,847
Bank acceptance bills payable		164,045	—
Trade payables	14	897,872	1,426,699
Wages payable		108,527	83,739
Welfare payable		24,673	21,813
Taxes payable	15	250,569	308,045
Other payables	16	25,298	17,551
Other creditors	17	624,754	426,171
Long-term loans due within one year	18	1,981,461	1,734,175
Total current liabilities		8,171,496	7,134,040
Long-term liabilities			
Long-term loans	19	12,356,717	9,762,943
Special payables		113,370	98,920
Total long-term liabilities		12,470,087	9,861,863
Deferred taxation			
Deferred tax liabilities	20	299,038	232,082
Total liabilities		20,940,621	17,227,985
Minority interests		977,006	747,968

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CONSOLIDATED BALANCE SHEET (continued)

as at 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

	Note	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY (CONTINUED)			
Shareholders' equity			
Share capital	21	6,021,084	5,256,084
Capital reserve	22(a)	1,897,561	755,383
Surplus reserves	22(b)	1,409,742	1,257,497
Including statutory public welfare fund		379,434	333,085
Retained profits		3,197,784	2,545,791
Including cash dividends proposed after the balance sheet date		23(b) 391,370	210,738
Total shareholders' equity		12,526,171	9,814,755
Total liabilities and shareholders' equity		34,443,798	27,790,708

These financial statements are approved by the Board of Directors on 24 March 2006

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BALANCE SHEET

as at 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

	Note	2005	2004
ASSETS			
Current assets			
Cash at bank and in hand	4	484,574	485,299
Trade receivables	5	654,317	572,929
Other receivables	6	83,570	75,436
Prepayments	7	7,031	309,571
Inventories	8	313,524	183,269
Total current assets		1,543,016	1,626,504
Long-term investments			
Long-term equity investments	9	4,349,190	2,674,992
Fixed assets			
Fixed assets, at cost		19,016,471	18,803,782
Less: Accumulated depreciation		(7,987,049)	(7,015,439)
Net book value of fixed assets	10	11,029,422	11,788,343
Construction materials	11	2,084,575	501,231
Construction in progress	11	1,039,315	207,100
Total fixed assets		14,153,312	12,496,674
Intangible assets and other assets			
Intangible assets	12	127,307	121,819
Deferred taxation			
Deferred tax assets	20	50,826	50,411
Total assets		20,223,651	16,970,400

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BALANCE SHEET (continued)

as at 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

	Note	2005	2004
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	13	1,200,597	1,159,548
Bank acceptance bills payable		130,000	—
Trade payables	14	288,719	590,851
Wages payable		85,827	80,839
Welfare payable		14,761	11,302
Taxes payable	15	160,448	255,938
Other payables	16	20,824	16,214
Other creditors	17	285,753	171,094
Long-term loans due within one year	18	792,827	1,298,959
Total current liabilities		2,979,756	3,584,745
Long-term liabilities			
Long-term loans	19	4,674,724	3,555,900
Special payables		43,000	15,000
Total long-term liabilities		4,717,724	3,570,900
Total liabilities		7,697,480	7,155,645
Shareholders' equity			
Share capital	21	6,021,084	5,256,084
Capital reserve	22(a)	1,897,561	755,383
Surplus reserves	22(b)	1,409,742	1,257,497
Including statutory public welfare fund		379,434	333,085
Retained profits		3,197,784	2,545,791
Including cash dividends proposed after the balance sheet date	23(b)	391,370	210,738
Total shareholders' equity		12,526,171	9,814,755
Total liabilities and shareholders' equity		20,223,651	16,970,400

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CONSOLIDATED INCOME STATEMENT AND PROFIT APPROPRIATION STATEMENT

for the year ended 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

	Note	2005	2004
Sales from principal activities	24	13,300,397	10,175,438
Less: Cost of sales from principal activities		(10,221,162)	(7,364,476)
Sales taxes and surcharges	25	(134,291)	(108,213)
Profit from principal activities		2,944,944	2,702,749
Add: Profit from other operations		25,548	15,586
Less: General and administrative expenses		(871,956)	(673,606)
Financial expenses	26	(513,273)	(493,708)
Operating profit		1,585,263	1,551,021
Add: Investment income	27	15,802	30,329
Non-operating income		17,005	8,884
Less: Non-operating expenses		(6,873)	(6,804)
Profit before income tax		1,611,197	1,583,430
Less: Income tax	28	(506,581)	(512,384)
Minority interests		(89,640)	(26,988)
Net profit for the year		1,014,976	1,044,058
Add: Retained profits at the beginning of the year		2,545,791	1,947,418
Profits available for distribution		3,560,767	2,991,476
Less: Transfer to statutory surplus reserve	22(b)	(101,497)	(104,400)
Transfer to statutory public welfare fund	22(b)	(50,748)	(52,200)
Profits available for distribution to shareholders		3,408,522	2,834,876
Less: Ordinary shares' dividend appropriated to shareholders	23(a)	(210,738)	(289,085)
Retained profits carried forward		3,197,784	2,545,791
Including cash dividends proposed after the balance sheet date	23(b)	391,370	210,738

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INCOME STATEMENT AND PROFIT APPROPRIATION STATEMENT

for the year ended 31 December 2005
(Prepared under PRC Accounting Standards and Regulations)
(Expressed in Renminbi'000)

	Note	2005	2004
Sales from principal activities	24	8,022,182	6,668,344
Less: Cost of sales from principal activities		(6,125,119)	(4,679,280)
Sales taxes and surcharges	25	(82,907)	(75,649)
Profit from principal activities		1,814,156	1,913,415
Add: Profit from other operations		791	2,590
Less: General and administrative expenses		(513,439)	(432,184)
Financial expenses	26	(198,506)	(223,241)
Operating profit		1,103,002	1,260,580
Add: Investment income	27	275,990	201,313
Non-operating income		1,447	40
Less: Non-operating expenses		(1,415)	(3,436)
Profit before income tax		1,379,024	1,458,497
Less: Income tax	28	(364,048)	(414,439)
Net profit for the year		1,014,976	1,044,058
Add: Retained profits at the beginning of the year		2,545,791	1,947,418
Profits available for distribution		3,560,767	2,991,476
Less: Transfer to statutory surplus reserve	22(b)	(101,497)	(104,400)
Transfer to statutory public welfare fund	22(b)	(50,748)	(52,200)
Profits available for distribution to shareholders		3,408,522	2,834,876
Less: Ordinary shares' dividend appropriated to shareholders	23(a)	(210,738)	(289,085)
Retained profits carried forward		3,197,784	2,545,791
Including cash dividend proposed after the balance sheet date	23(b)	391,370	210,738

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CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

	Note	2005
Cash flows from operating activities		
Cash received from sale of electricity and heat		15,320,457
Other cash received relating to operating activities		160,218
Sub-total of cash inflows		15,480,675
Cash paid for goods and services		(8,871,117)
Cash paid to and for employees		(997,903)
Cash paid for all types of taxes		(1,957,121)
Other cash paid relating to operating activities		(562,375)
Sub-total of cash outflows		(12,388,516)
Net cash inflow from operating activities	(i)	3,092,159
Cash flows from investing activities		
Cash received from investment income		493
Net cash received from sale of fixed assets		5,595
Decrease in fixed deposits		147,554
Other cash received relating to investing activities		19,285
Sub-total of cash inflows		172,927
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(6,062,054)
Increase in fixed deposits		(136,802)
Cash paid for acquisition of investments		(500,140)
Acquisition of subsidiaries, net of cash acquired	(ii)	(120,911)
Sub-total of cash outflows		(6,819,907)
Net cash outflow from investing activities		(6,646,980)

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CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the year ended 31 December 2005
 (Prepared under PRC Accounting Standards and Regulations)
 (Expressed in Renminbi'000)

	Note	2005
Cash flows from financing activities		
Proceeds from investments		2,027,808
Proceeds from borrowings		11,888,506
Proceeds from special payables		41,000
Other cash received relating to financing activities		29,799
		<u>13,987,113</u>
Sub-total of cash inflows		

Repayments of borrowings		(9,859,307)
Cash paid for interest		(756,971)
Cash paid for dividends		(210,738)
Dividends paid to minority shareholders		(12,239)
Other cash paid relating to financing activities		(7,522)
		<u>(10,846,777)</u>

Net cash inflow from financing activities		<u>3,140,336</u>

Net decrease in cash and cash equivalents	(iii)	<u><u>(414,485)</u></u>

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CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the year ended 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

Notes to the consolidated cash flow statement

2005

(i) Reconciliation of net profit to cash flows from operating activities

Net profit	1,014,976
Add: Provision for impairment of assets	5,051
Depreciation of fixed assets	1,569,463
Amortisation of intangible assets	9,562
Amortisation of consolidation difference and equity investment difference	29,360
Net losses on disposal of fixed assets	1,459
Financial expenses	513,273
Investment income	(16,096)
Minority interests	89,640
Increase in net deferred tax liabilities	69,801
Increase in inventories	(197,804)
Decrease in operating receivables	124,955
Decrease in operating payables	(121,481)
	<hr/>
Net cash inflow from operating activities	3,092,159

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CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the year ended 31 December 2005
(Prepared under PRC Accounting Standards and Regulations)
(Expressed in Renminbi'000)

Notes to the consolidated cash flow statement *(continued)*

2005

(ii) Acquisition of subsidiaries, net of cash acquired

Effect on the Group's assets and liabilities arose from acquisition of subsidiaries:

Cash at bank and in hand	11,089
Other receivables	310
Fixed assets	5,566
Construction materials and construction in progress	1,966,683
Wages and welfare payables	(567)
Taxes payable	(26)
Other payables	(2,750)
Other creditors	(26,305)
Loans	(1,830,000)
Minority interests	(8,550)
	<hr/>
Net assets and liabilities acquired	115,450
Equity investment difference	49,550
	<hr/>
Initial investment cost	165,000
Less: Cash at bank and in hand acquired from subsidiaries	(11,089)
Payable to China Huadian Corporation	(33,000)
	<hr/>
Net cash outflow from acquisition of subsidiaries	<u>120,911</u>

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CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the year ended 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

Notes to the consolidated cash flow statement *(continued)*

2005

(iii) Net decrease in cash and cash equivalents

Cash and cash equivalents at the end of the year	845,642
Less: Cash and cash equivalents at the beginning of the year	<u>(1,260,127)</u>
Net decrease in cash and cash equivalents	<u><u>(414,485)</u></u>

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CASH FLOW STATEMENT

for the year ended 31 December 2005
(Prepared under PRC Accounting Standards and Regulations)
(Expressed in Renminbi'000)

	Note	2005
Cash flows from operating activities		
Cash received from sale of electricity and heat		9,304,493
Other cash received relating to operating activities		7,080
Sub-total of cash inflows		9,311,573
Cash paid for goods and services		(5,242,942)
Cash paid to and for employees		(640,559)
Cash paid for all types of taxes		(1,321,327)
Other cash paid relating to operating activities		(313,717)
Sub-total of cash outflows		(7,518,545)
Net cash inflow from operating activities	(i)	1,793,028
Cash flows from investing activities		
Cash received from investment income		25,990
Net cash received from sale of fixed assets		1,302
Decrease in fixed deposits		147,554
Other cash received relating to investing activities		12,294
Sub-total of cash inflows		187,140
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(2,594,820)
Increase in fixed deposits		(136,802)
Cash paid for acquisition of investments		(1,381,739)
Sub-total of cash outflows		(4,113,361)
Net cash outflow from investing activities		(3,926,221)

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CASH FLOW STATEMENT *(continued)*

for the year ended 31 December 2005

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi'000)

	Note	2005
Cash flows from financing activities		
Proceeds from investments		1,893,315
Proceeds from borrowings		6,163,936
Proceeds from special payables		28,000
Other cash received relating to financing activities		26,619
		<hr/>
Sub-total of cash inflows		8,111,870

Repayments of borrowings		(5,473,889)
Cash paid for interest		(279,125)
Cash paid for dividends		(210,738)
Other cash paid relating to financing activities		(4,898)
		<hr/>
Sub-total of cash outflows		(5,968,650)
		=====
Net cash outflow from financing activities		2,143,220
		=====
Net increase in cash and cash equivalents	(ii)	10,027
		<hr/> <hr/>

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CASH FLOW STATEMENT (continued)

for the year ended 31 December 2005
(Prepared under PRC Accounting Standards and Regulations)
(Expressed in Renminbi'000)

Notes to the cash flow statement

2005

(i) Reconciliation of net profit to cash flows from operating activities

Net profit	1,014,976
Add: Written back provision for impairment of assets	(1,576)
Depreciation of fixed assets	976,009
Amortisation of intangible assets	7,637
Amortisation of equity investment difference	28,710
Net losses on disposal of fixed assets	179
Financial expenses	198,506
Investment income	(304,700)
Increase in deferred tax assets	(415)
Increase in inventories	(128,846)
Decrease in operating receivables	199,568
Decrease in operating payables	(197,020)
	<hr/>
Net cash inflow from operating activities	<u>1,793,028</u>

(ii) Net increase in cash and cash equivalents

Cash and cash equivalents at the end of the year	484,574
Less: Cash and cash equivalents at the beginning of the year	(474,547)
	<hr/>
Increase in cash and cash equivalents	<u>10,027</u>

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NOTES ON THE FINANCIAL STATEMENTS

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

1 COMPANY STATUS

Huadian Power International Corporation Limited (hereinafter referred to as the "Company") is a joint stock company limited by shares established in the People's Republic of China (the "PRC") on 28 June 1994 pursuant to the approval document (Ti Gai Sheng [1994] No. 76 - Reply on the approval for the establishment of Shandong International Power Development Company Limited) issued by the former State Commission for Economic Restructuring of the PRC. The Company had a registered share capital of RMB 3,825,056,200, divided into 3,825,056,200 ordinary shares of RMB 1 each. At the same date, the Company's joint promoters, namely Shandong Electric Power (Group) Corporation ("SEPCO"), Shandong International Trust and Investment Corporation, Shandong Luneng Development (Group) Company Limited, China Power Trust and Investment Company Limited and Zaozhuang City Infrastructure Investment Company, injected all assets (except parcels of land) and liabilities, together with certain construction in progress, of two power plants in Zouxian and Shiliquan of Shandong Province into the Company. In return, these joint promoters were being allotted the entire share capital mentioned above.

Pursuant to the document (Zheng Jian Fa [1998] No. 317) issued by the Securities Commission of the State Council on 15 December 1998, the Company was authorised to issue H shares and its registered share capital had been increased to 5,256,084,200 ordinary shares of RMB 1 each, comprising of 3,825,056,200 domestic shares and 1,431,028,000 H shares. The Company's 1,431,028,000 H shares were successfully listed on The Stock Exchange of Hong Kong Limited in June 1999.

The Company changed its name from "Shandong International Power Development Company Limited" to "Huadian Power International Corporation Limited" pursuant to a resolution passed on the general meeting held on 24 June 2003. On 1 November 2003, the Company obtained a new business licence for body corporate (Qi Gu Lu Zong Zi No. 003922).

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB 1 each. As a result, the registered capital of the Company was increased to 6,021,084,200 shares. The RMB ordinary shares include 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares were listed on the Shanghai Stock Exchange on 3 February 2005.

The Company, its subsidiaries and jointly controlled entity ("the Group") are principally engaged in power generation and heat supply activities. Electricity generated is transmitted to power grid companies of provinces in which the power plants are located.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in the preparation of the financial statements conform to the Accounting Standards for Business Enterprises, the Accounting Regulations for Business Enterprises and the relevant regulations issued by the Ministry of Finance (“MOF”) of the People’s Republic of China.

For details of the names, principal activities, registered capital, investment costs, percentage of each class of equity held by the Company and the period of consolidation of the Group’s subsidiaries and jointly control entity, please refer to note 32.

(a) Accounting year

The accounting year of the Group is from 1 January to 31 December.

(b) Basis of consolidation

The Group’s consolidated financial statements are prepared in accordance with the Accounting Regulations for Business Enterprises and Cai Kuai Zi [1995] No. 11 “Provisional regulations on consolidated financial statements” issued by the MOF.

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries. Subsidiaries are those entities in which the Company directly or indirectly, holds more than 50% (50% not inclusive) of the issued share capital, or has the power to control despite the issued share capital held by the Company is less than 50%. The results of the subsidiaries during the period in which the Company holds more than 50% of the issued share capital or the Company has the power to control despite the issued share capital held is less than 50%, are included in the consolidated income statement of the Group. The effect of minority interests on equity and profit / loss attributable to minority interests are separately shown in the consolidated financial statements.

Where the accounting policies adopted by the subsidiaries or the jointly controlled entity are different from the policies adopted by the Company, the financial statements of the subsidiaries and the jointly controlled entity have been adjusted in accordance with the accounting policies adopted by the Company on consolidation. All significant inter-company balances and transactions, and any unrealised gains arising from inter-company transactions, have been eliminated on consolidation.

Jointly control entities are enterprises over whose activities the Group has joint control, established by contractual agreement. The consolidated financial statements include the Company’s proportionate share of the jointly controlled entity’s assets, liabilities, revenue, costs and expenses with items of similar nature on a line by line basis.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Basis of preparation and measurement basis

The Group's basis of preparation is on an accrual basis. Unless specifically stated, the measurement basis is under the historical cost convention.

(d) Reporting currency

The Group's reporting currency is Renminbi.

(e) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates quoted by the People's Bank of China and other exchange rates recognised by the state ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates quoted by the People's Bank of China and other exchange rates recognised by the state ruling at the balance sheet date. Exchange gains and losses on foreign currency translation, except for the exchange gains and losses directly relating to the construction of fixed assets (see note 2(j)), are dealt with in the income statement.

(f) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash, and which are subject to an insignificant risk of change in value.

(g) Provision for bad and doubtful debts

The provision for bad debt losses is estimated by the Group based on individual trade receivables which show signs of uncollectibility and an ageing analysis. Provision for other receivables is determined based on their specific nature and the Group's estimate of their collectibility.

(h) 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.

The Group adopts a perpetual inventory system.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Long-term investments

Where the Company has the power to control, jointly control or exercise significant influence over an investee enterprise, the long-term investment is accounted for under the equity method of accounting whereby the investment is initially recorded at cost and adjusted thereafter for any post acquisition change in the Company's share of the investors' equity in the investee enterprise.

Equity investment difference, which is the difference between the initial investment cost and the Company's share of investors' equity in the investee enterprise, is accounted for as follows:

- Any excess of the initial investment cost over the Company's share of the investors' equity in the investee enterprise is amortised on a straight-line basis. The amortisation period is determined according to the investment period as stipulated in the relevant agreement, or 10 years if the investment period is not specified in the agreement. The unamortised balance is included in long-term equity investments at the year end.
- Any shortfall of the initial investment cost over the Company's share of the investors' equity in the investee enterprise is amortised on a straight-line basis over 10 years if the investment was acquired before the MOF's issuance of the "Questions and answers on implementing Accounting Regulations for Business Enterprises and related accounting standards (II)" (Cai Kuai [2003] No. 10). The unamortised balance is included in long-term equity investments at the year end. Such shortfalls are recognised in the "Capital reserve - reserve for equity investment" if the investment was acquired after the issuance of Cai Kuai [2003] No. 10.

An associate is a company in which the Group holds, for long-term purposes, not less than 20% but not more than 50% of its equity interests and exercises significant influence in its management.

Where the Group does not control, jointly control or exercise significant influence over an investee enterprise, the investment is accounted for under the cost method, stating it at the initial investment cost. Investment income is recognised when the investee enterprise declares a cash dividend or distributes profits.

Upon the disposal or transfer of long-term equity investments, the difference between the proceeds received and the carrying amount of the investments is recognised in the income statement.

The Group makes provision for impairment losses on long-term equity investments (see note 2(m)).

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Fixed assets and construction in progress

Fixed assets are assets with comparatively high unit values held by the Group for use in the production of electricity and heat and for administrative purposes. They are expected to be used for more than one year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(m)). Construction in progress is stated in the balance sheet at cost less impairment losses (see note 2(m)).

All direct and indirect costs that are related to the construction of fixed assets and incurred before the assets are ready for their intended use are capitalised as construction in progress. Those costs include borrowing costs (including foreign exchange differences arising from the loan principal and the related interest) on specific borrowings for the construction of the fixed assets during the construction period.

Construction in progress is transferred to fixed assets when it is ready for its intended use. No depreciation is provided against construction in progress.

Fixed assets are depreciated using the straight-line method over their estimated useful lives. The respective estimated useful lives and the estimated rate of residual values on cost adopted for the Group's fixed assets are as follows:

	Estimated useful life	Estimated rate of residual value
Land use rights and buildings	15 - 50 years	0% - 3%
Generators and related machinery and equipment	10 - 20 years	3%
Others	5 - 10 years	3%

(k) Operating lease charges

Rental payments under operating leases are charged as expenses on a straight-line basis over the lease term.

(l) Intangible assets

Intangible assets mainly represent land use right.

Land use right are stated in the balance sheet at cost less accumulated amortisation and impairment losses (see note 2(m)).

The cost of the land use right is amortised on a straight-line basis over the land use right period.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Impairment loss

The carrying amounts of assets (including long-term investments, fixed assets, construction in progress, intangible assets and other assets) are reviewed regularly at each balance sheet date to determine whether their recoverable amounts have declined below their carrying amounts. 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 the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss.

The recoverable amount is the greater of the net selling price and the present value of the estimated future cash flows arising from the continuous use of the asset and from the disposal of the asset at the end of its useful life.

Provision for impairment loss is calculated on an item by item basis and recognised as an expense in the income statement. However, when a deficit between the initial investment cost and the Company's share of the investors' equity of the investee enterprise has been credited to the capital reserve, any impairment losses for long-term equity investment are firstly set off against the difference initially recognised in the capital reserve relating to the investment and any excess impairment losses are then recognised in the income statement.

If there is an indication that there has been a change in the estimates used to determine the recoverable amount and as a result the estimated recoverable amount is greater than the carrying amount of the asset, the impairment loss recognised in prior year is reversed. Reversals of impairment losses are recognised in the income statement. Impairment losses are reversed to the extent of the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. In respect of the reversal of an impairment loss for a long-term equity investment, the reversal starts with the impairment losses that had previously been recognised in the income statement and then the impairment losses that had been charged to capital reserve.

(n) Income tax

Income tax is recognised using the tax effect accounting method. Income tax for the year comprises current tax paid and payable and movement of deferred tax assets and liabilities.

Current tax is calculated at the applicable tax rate on taxable income.

Deferred tax is provided using the liability method for the differences between the accounting profits and the taxable profits arising from the timing differences in recognising income, expenses or losses between the accounting and tax regulations. When the tax rate changes or a new type of tax is levied, adjustments are made to the amounts originally recognised for the timing differences under the liability method. The current tax rates are used in arriving at the reversal amounts when the timing differences are reversed.

Deferred tax assets arising from tax losses, which are expected to be utilised against future taxable profits, are set off against the deferred tax liabilities (only for the same taxpayer within the same jurisdiction). When it is not probable that the tax benefits of deferred tax assets will be realised, the deferred tax assets are reduced to the extent that the related benefits are expected to be realised.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligations and a reliable estimate can be made.

Where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the obligation is disclosed as a contingent liability.

(p) Special payables

Special payables are fund granted by the state specially for environmental protection purposes. The funds are recognised as special payables when received. Upon the completion of the related projects, the fund will be transferred to capital reserve.

(q) Revenue recognition

When it is probable that the economic benefits will flow to the Group and the revenue and costs can be measured reliably, revenue is recognised in the income statement according to the following methods:

(i) Electricity income

Electricity income is recognised when electricity is supplied to the respective provincial grid companies where the power plants are located.

(ii) Heat income

Heat income is recognised when heat is supplied to customers.

(r) Research and development costs

Research and development costs are recognised in the income statement when incurred.

(s) Borrowing costs

Borrowing costs incurred on specific borrowings for the construction of fixed assets are capitalised into the cost of the fixed assets during the construction period until the fixed assets are ready for their intended uses.

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Major overhaul, repair and maintenance expenses

Major overhaul, repair and maintenance expenses are recognised in the income statement when incurred.

(u) Dividends appropriation

Cash dividends are recognised in the income statement and profit appropriation statement when declared. Cash dividends approved after the balance sheet date, but before the date on which the financial statements are authorised for issue, are separately disclosed in the shareholders' equity in the balance sheet.

(v) Retirement benefits

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution retirement plan for the employees arranged by governmental organisations. The Group makes contributions to the retirement scheme at the applicable rates based on the employees' salaries. The required contributions under the retirement plans are charged to the income statement when they are due. The Group does not have any other payment obligation except for the contributions to the retirement scheme.

(w) Related parties

If the Group has the power, directly or indirectly, to control, jointly control or exercise significant influence over another party, or vice versa, or where the Group and one or more parties are subject to common control from another party, they are considered to be related parties. Related parties may be individuals or enterprises.

(x) Fair value hedges

Where a derivative financial instrument hedges the change 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.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

3 TAXATION

The types of tax and tax rates applicable to the Group are as follows:

	Tax rate	Tax basis
Value added tax ("VAT")		
– Sale of electricity	17%	based on sales
– Sale of heat	13%	based on sales
City maintenance and construction tax	5 - 7%	based on VAT payable
Income tax (note)	15, 33%	based on taxable income

Note: The income tax rates applicable to the Group are mainly 33% for the years ended 31 December 2004 and 2005, except for Sichuan Guangan Power Generation Company Limited ("Guangan Company").

The preferential tax treatments of the Group in 2005 are mainly set out below:

Company name	Preferential tax rate	Reasons for preferential treatment
Guangan Company	15%	Enterprise income tax preferential policies on the development of the Western Region

Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Issues Concerning Tax Preferential Policies on the Development of the Western Region (Cai Shui [2001] No. 202) and the Notice of the State Administration of Taxation on Opinions Regarding the Implementation of Taxation Policies on the Development of the Western Region (Guo Shui Fa [2002] No. 47), during the period from 2001 to 2010, upon verification and confirmation by tax authorities, enterprises may enjoy a reduced enterprise income tax rate of 15%. In accordance with the approval document issued by the State Administration of Taxation of Sichuan Province, Guangan Company's enterprise income tax rate for 2005 had been reduced to 15%.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

4 CASH AT BANK AND IN HAND

	The Group				The Company			
	2005		2004		2005		2004	
	Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000
Cash in hand								
- Renminbi		1,016		3,801		657		1,406
Saving accounts and fixed deposits with banks and other financial institutions (within three months)								
- Renminbi		844,427		1,256,266		483,718		473,081
- US Dollars	24	191	6	48	24	191	6	48
- HK Dollars	8	8	11	12	8	8	11	12
		<u>844,626</u>		<u>1,256,326</u>		<u>483,917</u>		<u>473,141</u>
Cash and cash equivalents		845,642		1,260,127		484,574		474,547
Fixed deposits with banks (over three months)								
- Renminbi		—		10,752		—		10,752
		<u>845,642</u>		<u>1,270,879</u>		<u>484,574</u>		<u>485,299</u>

The foreign currency saving accounts and fixed deposits with banks and other financial institutions are translated into Renminbi at the following exchange rates:

	2005	2004
US Dollars	<u>8.0702</u>	<u>8.2765</u>
HK Dollars	<u>1.0403</u>	<u>1.0637</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

5 TRADE RECEIVABLES

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Trade receivables for the sale of electricity	1,229,497	961,758	653,690	572,929
Trade receivables for the sale of heat	43,263	40,694	627	—
	1,272,760	1,002,452	654,317	572,929
Less: Provision for bad and doubtful debts	(15,903)	(1,590)	—	—
Total	<u>1,256,857</u>	<u>1,000,862</u>	<u>654,317</u>	<u>572,929</u>

The analysis of provision for bad and doubtful debts is as follows:

	The Group	
	2005 '000	2004 '000
Balance at 1 January	1,590	—
Charge for the year	14,313	1,590
Balance at 31 December	<u>15,903</u>	<u>1,590</u>

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

5 TRADE RECEIVABLES *(continued)*

The ageing analysis of trade receivables is as follows:

Ageing	The Group							
	2005				2004			
	Amount '000	Proportion	Provision '000	Proportion	Amount '000	Proportion	Provision '000	Proportion
Within one year	1,240,938	97.5%	—	—	970,647	96.8%	—	—
Between one to two years	17	—	—	—	3,189	0.3%	159	5.0%
Between two to three years	3,189	0.3%	1,595	50%	26,918	2.7%	1,346	5.0%
Over three years	28,616	2.2%	14,308	50%	1,698	0.2%	85	5.0%
Total	1,272,760	100%	15,903	1.2%	1,002,452	100.0%	1,590	0.2%

Ageing	The Company							
	2005				2004			
	Amount '000	Proportion	Provision '000	Proportion	Amount '000	Proportion	Provision '000	Proportion
Within one year	654,317	100%	—	—	572,929	100%	—	—

No evidence indicated that recoverability problem exists for the trade receivables aged within one year, therefore no provision for bad and doubtful debts has been made in this regard.

The Group had no individually significant trade receivables been fully or substantially provided for.

There is no amount due from shareholders who hold 5% or more voting right of the Company included in the balance of trade receivables.

Total of the five largest trade receivables are as follows:

	2005		2004	
	Amount '000	Percentage of trade receivables	Amount '000	Percentage of trade receivables
The Group	1,260,180	99.0%	997,996	99.6%
The Company	654,317	100%	572,929	100%

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

6 OTHER RECEIVABLES

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Amounts due from related parties	8,475	—	64,929	37,096
Others	66,824	108,892	22,102	41,968
	75,299	108,892	87,031	79,064
Less: Provision for bad and doubtful debts	(5,858)	(12,113)	(3,461)	(3,628)
Total	69,441	96,779	83,570	75,436

Analysis of provision for bad and doubtful debts is as follows:

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Balance at 1 January	12,113	11,239	3,628	4,332
Transfer from acquisition of subsidiaries	—	2,957	—	—
Written back during the year	(6,255)	(2,083)	(167)	(704)
Balance at 31 December	5,858	12,113	3,461	3,628

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

6 OTHER RECEIVABLES *(continued)*

The ageing analysis of other receivables is as follows:

Ageing	The Group							
	2005				2004			
	Amount '000	Proportion	Provision '000	Proportion	Amount '000	Proportion	Provision '000	Proportion
Within one year	58,407	77.5%	146	0.2%	86,634	79.6%	1,103	1.3%
Between one to two years	10,983	14.6%	1,093	10%	3,708	3.4%	2	0.1%
Between two to three years	501	0.7%	10	2%	385	0.4%	7	1.8%
Over three years	5,408	7.2%	4,609	85.2%	18,165	16.6%	11,001	60.6%
Total	<u>75,299</u>	<u>100%</u>	<u>5,858</u>	<u>7.8%</u>	<u>108,892</u>	<u>100%</u>	<u>12,113</u>	<u>11.1%</u>

Ageing	The Company							
	2005				2004			
	Amount '000	Proportion	Provision '000	Proportion	Amount '000	Proportion	Provision '000	Proportion
Within one year	83,126	95.5%	59	0.1%	72,223	91.4%	68	0.1%
Between one to two years	12	—	—	—	3,276	4.1%	2	0.1%
Between two to three years	501	0.6%	10	2%	14	—	7	50%
Over three years	3,392	3.9%	3,392	100%	3,551	4.5%	3,551	100%
Total	<u>87,031</u>	<u>100%</u>	<u>3,461</u>	<u>4%</u>	<u>79,064</u>	<u>100%</u>	<u>3,628</u>	<u>4.6%</u>

There is no amount due from shareholders who hold 5% or more voting right of the Company included in the balance of other receivables.

The Group had no individually significant write back or write off of other receivables and had no individually significant other receivable been fully or substantially provided for.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

6 OTHER RECEIVABLES (continued)

Total of the five largest other receivables are as follows:

	2005		2004	
	Amount '000	Percentage of other receivables	Amount '000	Percentage of other receivables
The Group	43,660	58.0%	43,091	39.6%
The Company	<u>64,929</u>	<u>74.6%</u>	<u>41,199</u>	<u>52.1%</u>

7 PREPAYMENTS

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Prepayments to related parties	—	—	—	2,716
Others	<u>11,168</u>	<u>349,578</u>	<u>7,031</u>	<u>306,855</u>
Total	<u>11,168</u>	<u>349,578</u>	<u>7,031</u>	<u>309,571</u>

Ageing	The Group				The Company			
	2005		2004		2005		2004	
	Amount '000	Proportion	Amount '000	Proportion	Amount '000	Proportion	Amount '000	Proportion
Within one year	4,501	40.3%	342,558	98%	364	5.2%	304,904	98%
Between one to two years	<u>6,667</u>	<u>59.7%</u>	<u>7,020</u>	<u>2%</u>	<u>6,667</u>	<u>94.8%</u>	<u>4,667</u>	<u>2%</u>
Total	<u>11,168</u>	<u>100%</u>	<u>349,578</u>	<u>100%</u>	<u>7,031</u>	<u>100%</u>	<u>309,571</u>	<u>100%</u>

There is no amount due from shareholders who hold 5% or more voting right of the Company included in the balance of prepayments.

Prepayments aged over one year mainly represent deposit for future purchase and prepaid rentals.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

8 INVENTORIES

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '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	244,334	229,723	169,903	160,033
	623,108	425,304	370,870	242,024
Less: Provision for diminution in value of inventories	(64,261)	(67,268)	(57,346)	(58,755)
	<u>558,847</u>	<u>358,036</u>	<u>313,524</u>	<u>183,269</u>

Provision for diminution in value of inventories represent provision for obsolescence for materials, components and spare parts.

Provision for diminution in value of inventories

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Balance at 1 January	67,268	64,551	58,755	58,422
Transfer from acquisition of subsidiaries	—	1,633	—	—
(Reversal)/charge for the year	(3,007)	1,084	(1,409)	333
Balance at 31 December	<u>64,261</u>	<u>67,268</u>	<u>57,346</u>	<u>58,755</u>

Cost of inventories recognised in cost of sales and expenses are as follows:

	2005 '000	2004 '000
The Group	7,763,525	5,098,095
The Company	<u>4,588,850</u>	<u>3,158,380</u>

All inventories are purchased.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

9 LONG-TERM EQUITY INVESTMENTS

The Group

	Investments in associates '000	Other equity investments '000	Consolidation difference and equity investment difference '000	Total '000
Cost of investment:				
Balance at 1 January	407,346	175,639	262,827	845,812
Additions	500,140	—	49,550	549,690
Adjustments under equity method	16,930	—	—	16,930
Dividend receivable	(8,728)	—	—	(8,728)
Amortisation for the year	—	—	(29,360)	(29,360)
Balance at 31 December	<u>915,688</u>	<u>175,639</u>	<u>283,017</u>	<u>1,374,344</u>

The Company

	Investments in subsidiaries '000	Investment in jointly controlled entity '000	Investments in associates '000	Other equity investments '000	Equity investment difference '000	Total '000
Balance at 1 January	1,742,359	128,236	373,186	172,939	258,272	2,674,992
Additions	871,389	—	493,800	—	49,550	1,414,739
Adjustments under equity method	287,138	22,309	16,930	—	—	326,377
Dividends receivable	(25,340)	(4,140)	(8,728)	—	—	(38,208)
Amortisation for the year	—	—	—	—	(28,710)	(28,710)
Balance at 31 December	<u>2,875,546</u>	<u>146,405</u>	<u>875,188</u>	<u>172,939</u>	<u>279,112</u>	<u>4,349,190</u>

No impairment losses was made for any individually significant long-term equity investment.

The details of subsidiaries, jointly controlled entity and associates of the Company are listed in note 32.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

9 LONG-TERM EQUITY INVESTMENTS *(continued)*

(a) At 31 December 2005, the investments in principal subsidiaries of the Company are analysed as follows:

	Guangan Company	Huadian Qingdao Power Company Limited ("Qingdao Company")	Huadian Zibo Power Company Limited ("Zibo Company")	Huadian Zhangqiu Power Company Limited ("Zhangqiu Company")	Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Company")	Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Other subsidiaries	Total
	'000	'000	'000	'000	'000	'000	'000	'000	'000
Percentage of equity interest held by the Group	80%	55%	100%	80.41%	54.49%	90%	97%		
Investment period	Nil	20 years	Nil	Nil	Nil	30 years	30 years		
Initial investment cost									
– At 31 December 2005	<u>1,037,013</u>	<u>248,318</u>	<u>374,800</u>	<u>305,740</u>	<u>133,620</u>	<u>90,100</u>	<u>74,900</u>	<u>63,322</u>	<u>2,327,813</u>
Cost of investment									
Balance at 1 January	630,223	478,490	291,119	142,461	127,897	—	—	72,169	1,742,359
Add: Additions	456,200	—	120,000	179,739	—	62,100	53,350	—	871,389
Adjustments									
under equity method	169,851	47,907	25,116	25,343	5,811	—	—	13,110	287,138
Less: Dividends receivable	—	—	—	(21,471)	(467)	—	—	(3,402)	(25,340)
Balance at 31 December	<u>1,256,274</u>	<u>526,397</u>	<u>436,235</u>	<u>326,072</u>	<u>133,241</u>	<u>62,100</u>	<u>53,350</u>	<u>81,877</u>	<u>2,875,546</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

9 LONG-TERM EQUITY INVESTMENTS (continued)

- (b) At 31 December 2005, the investment in the jointly controlled entity of the Company is analysed as follows:

	Huadian Weifang Power Generation Company Limited ("Weifang Company") (formerly known as "Weifang Power Plant")
	<i>'000</i>
<hr/>	
Percentage of equity interest held by the Group	30%
Investment period	30 years
Initial investment cost	
– At 31 December 2005	<u>193,983</u>
 Cost of investment	
Balance at 1 January	128,236
Add: Adjustments under equity method	22,309
Less: Dividends receivable	<u>(4,140)</u>
Balance at 31 December	<u>146,405</u>

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

9 LONG-TERM EQUITY INVESTMENTS *(continued)*

(c) At 31 December 2005, the investments in principal associates of the Group are listed as follows:

Associates	Investment period	Initial investment cost '000 (At 31 December 2005)	Percentage of equity interest held by the Group	Balance at 1 January '000	Additions '000	Adjustments under equity method '000	Dividend receivable '000	Balance at 31 December '000
The Company								
Ningxia Power Generation Company (Group) Limited ("Ningxia Power Company")	Nil	280,000	31.11%	168,386	112,000	6,702	(253)	286,835
Anhui Chizhou Jinhua Power Generation Company Limited ("Chizhou Company")	30 years	258,940	40%	179,200	76,800	(7,984)	—	248,016
Huadian Property Co. Ltd. ("Huadian Property")	Nil	165,000	30%	—	165,000	—	—	165,000
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	25 years	80,000	40%	—	80,000	—	—	80,000
Ningxia Yinglite Zhongning Power Company Limited ("Zhongning Company")	25 years (construction period excluded)	85,600	50%	25,600	60,000	18,212	(8,475)	95,337
The Company total		869,540		373,186	493,800	16,930	(8,728)	875,188
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	Nil	40,500	36%	34,160	6,340	—	—	40,500
The Group total		<u>910,040</u>		<u>407,346</u>	<u>500,140</u>	<u>16,930</u>	<u>(8,728)</u>	<u>915,688</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

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9 LONG-TERM EQUITY INVESTMENTS (continued)

- (d) At 31 December 2005, the investments in principal other equity investments of the Group are listed as follows:

Name of investee enterprise	Investment period	Initial investment cost '000 (At 31 December 2005)	Percentage of equity interest	Balance at 1 January and 31 December '000
The Company				
Shandong Luneng Heze Coal Power Development Limited	50 years	91,339	18.4%	91,339
Shandong Luneng Minerals Group Company Limited	Nil	69,000	7.04%	69,000
Shanxi Jinzhongnan Railway Coal Distribution Company	Nil	12,600	14%	12,600
The Company total		172,939		172,939
Others		2,700		2,700
The Group total		<u>175,639</u>		<u>175,639</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

9 LONG-TERM EQUITY INVESTMENTS (continued)

(e) At 31 December 2005, consolidation difference and equity investment difference are listed as follows:

	Guangan Company '000	Qingdao Company '000	Weifang Company '000	Chizhou Company '000	Suzhou Company '000	Xinxiang Company '000	Others '000	The Company total '000	Zibo Company '000	The Group total '000
Amortisation period	10 years	15 years	15 years	10 years	10 years	10 years			10 years	
Consolidation difference and equity investment difference:										
Balance at 1 January	29,436	90,412	235,706	2,940	—	—	37,556	396,050	6,506	402,556
Additions for the year	—	—	—	—	21,550	28,000	—	49,550	—	49,550
Balance at 31 December	29,436	90,412	235,706	2,940	21,550	28,000	37,556	445,600	6,506	452,106
Accumulated amortisation:										
Balance at 1 January	(2,944)	(33,149)	(82,498)	(123)	—	—	(19,064)	(137,778)	(1,951)	(139,729)
Amortisation for the year	(2,943)	(6,029)	(15,713)	(294)	—	—	(3,731)	(28,710)	(650)	(29,360)
Balance at 31 December	(5,887)	(39,178)	(98,211)	(417)	—	—	(22,795)	(166,488)	(2,601)	(169,089)
Net book value:										
Balance at 31 December	23,549	51,234	137,495	2,523	21,550	28,000	14,761	279,112	3,905	283,017
Balance at 1 January	26,492	57,263	153,208	2,817	—	—	18,492	258,272	4,555	262,827

At 31 December 2005, the Group's proportion of the total long-term investments to the net assets was 11.0% (2004: 8.6%).

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

10 FIXED ASSETS

	The Group			
	Land use rights and buildings	Generators and related machinery and equipment	Others	Total
	'000	'000	'000	'000
Cost:				
Balance at 1 January	7,936,257	22,421,212	635,384	30,992,853
Transfer from acquisition of subsidiaries	—	—	7,182	7,182
Additions for the year	710	3,574	26,994	31,278
Transfer from construction in progress (note 11)	290,917	1,680,138	20,983	1,992,038
Disposals for the year	(6,952)	(526)	(8,494)	(15,972)
Balance at 31 December	<u>8,220,932</u>	<u>24,104,398</u>	<u>682,049</u>	<u>33,007,379</u>
Accumulated depreciation:				
Balance at 1 January	(2,206,411)	(7,764,739)	(296,331)	(10,267,481)
Transfer from acquisition of subsidiaries	—	—	(1,616)	(1,616)
Charge for the year	(331,252)	(1,175,271)	(62,940)	(1,569,463)
Written back on disposal	914	403	7,601	8,918
Balance at 31 December	<u>(2,536,749)</u>	<u>(8,939,607)</u>	<u>(353,286)</u>	<u>(11,829,642)</u>
Net book value:				
Balance at 31 December	<u>5,684,183</u>	<u>15,164,791</u>	<u>328,763</u>	<u>21,177,737</u>
Balance at 1 January	<u>5,729,846</u>	<u>14,656,473</u>	<u>339,053</u>	<u>20,725,372</u>

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

10 FIXED ASSETS *(continued)*

	The Company			Total
	Land use rights and buildings	Generators and related machinery and equipment	Others	
	'000	'000	'000	'000
Cost:				
Balance at 1 January	3,920,184	14,443,541	440,057	18,803,782
Additions for the year	710	2,498	14,491	17,699
Transfer from construction in progress (note 11)	26,496	162,445	11,929	200,870
Disposals for the year	(923)	(526)	(4,431)	(5,880)
Balance at 31 December	<u>3,946,467</u>	<u>14,607,958</u>	<u>462,046</u>	<u>19,016,471</u>
Accumulated depreciation:				
Balance at 1 January	(1,411,271)	(5,417,354)	(186,814)	(7,015,439)
Charge for the year	(190,689)	(745,773)	(39,547)	(976,009)
Written back on disposal	340	403	3,656	4,399
Balance at 31 December	<u>(1,601,620)</u>	<u>(6,162,724)</u>	<u>(222,705)</u>	<u>(7,987,049)</u>
Net book value:				
Balance at 31 December	<u>2,344,847</u>	<u>8,445,234</u>	<u>239,341</u>	<u>11,029,422</u>
Balance at 1 January	<u>2,508,913</u>	<u>9,026,187</u>	<u>253,243</u>	<u>11,788,343</u>

The original cost of the fixed assets that have been fully depreciated but are still in use was:

	2005	2004
	'000	'000
The Group	<u>1,532,354</u>	1,137,597
The Company	<u>1,071,330</u>	<u>687,574</u>

At 31 December 2005, the Group and the Company have no temporarily idle fixed assets.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

11 CONSTRUCTION MATERIALS AND CONSTRUCTION IN PROGRESS

Construction materials of the Group are mainly prepayment for purchase of equipment.

Major construction materials and construction in progress of the Group are as follows:

Project	Budgeted amount '000	Balance at 1 January '000	Through acquisition of subsidiaries '000	Additions '000	Transfer to fixed assets '000	Balance at 31 December '000	Percentage of completion	Source of funding	Capitalisation of borrowing costs during the year '000
The Company									
Zouxian Power Plant Phase IV generating units	8,490,000	66,779	—	468,493	—	535,272	6.3%	Share issuance, self-financing and bank loans	3,196
Ningxia Ningwu Power Plant generating units	5,145,230	51,531	—	293,296	—	344,827	6.7%	Self-financing and bank loans	5,865
Construction materials		501,231	—	1,583,344	—	2,084,575	—	Self-financing and bank loans	20,476
Desulphurisation, technical improvement projects and others		88,790	—	271,296	(200,870)	159,216	—	Self-financing and bank loans	124
Total for the Company		708,331	—	2,616,429	(200,870)	3,123,890			29,661
					(note 10)				(note 26)
Subsidiaries									
Guangan Company Phase III generating units	4,490,000	74,761	—	332,669	—	407,430	9.1%	Self-financing and bank loans	8,341
Qingdao Company Phase II generating units	2,502,550	225,554	—	1,480,139	(1,464,559)	241,134	68.0%	Self-financing and bank loans	22,654
Xinxiang Company Baoshan Power Plant Phase I	4,970,260	—	248,078	—	—	248,078	5%	Self-financing and bank loans	—
Suzhou Company Phase I generating units	4,702,560	—	413,257	—	—	413,257	8.8%	Self-financing and bank loans	—
Construction materials		1,220,387	1,258,602	237,399	—	2,716,388	—	Self-financing and bank loans	73,041
Desulphurisation, technical improvement projects and others		443,658	46,746	1,139,921	(318,732)	1,311,593	—	Self-financing and bank loans	39,446
Sub-total for subsidiaries		1,964,360	1,966,683	3,190,128	(1,783,291)	5,337,880			143,482

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

11 CONSTRUCTION MATERIALS AND CONSTRUCTION IN PROGRESS *(continued)*

Major construction materials and construction in progress of the Group are as follows: *(continued)*

Project	Budgeted amount '000	Balance at 1 January '000	Through acquisition of subsidiaries '000	Additions '000	Transfer to fixed assets '000	Balance at 31 December '000	Percentage of completion	Source of funding	Capitalisation of borrowing costs during the year '000
Share of jointly controlled entity									
Weifang Company Phase II generating units	1,427,853	34,039	—	121,725	—	155,764	10.9%	Self-financing and bank loans	4,763
Construction materials		159,698	—	102,239	—	261,937	—	Self-financing and bank loans	10,581
Desulphurisation, technical improvement projects and others		22,386	—	19,738	(7,877)	34,247	—	Self-financing and bank loans	917
Subtotal for share of jointly controlled entity		216,123	—	243,702	(7,877)	451,948			16,261
Total for the Group		2,888,814	1,966,683	6,050,259	(1,992,038)	8,913,718			189,404
					(note 10)				(note 26)

The borrowing costs of the Group for the year have been capitalised at an average rate of 5.21% (2004: 4.99%).

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

12 INTANGIBLE ASSETS

	The Group '000	The Company '000
Cost:		
Balance at 1 January	175,082	150,306
Additions	<u>37,033</u>	<u>13,125</u>
Balance at 31 December	----- 212,115	----- 163,431
Accumulated depreciation:		
Balance at 1 January	(31,806)	(28,487)
Charge for the year	<u>(9,562)</u>	<u>(7,637)</u>
Balance at 31 December	----- <u>(41,368)</u>	----- <u>(36,124)</u>
Net book value:		
Balance at 31 December	<u>170,747</u>	<u>127,307</u>
Balance at 1 January	<u>143,276</u>	<u>121,819</u>

Intangible assets mainly represent land use rights. Land use rights included in intangible assets are those not yet developed or those developed before the adoption of Accounting Regulations for Business Enterprises.

All land use rights (including those recorded in fixed assets, construction in progress and intangible assets) are mainly obtained through acquisition, except for those in Weifang Company, Qingdao Company and Guangan Company, which are granted by the state.

At 31 December 2005, the remaining amortisation period of land use rights are ranging from 6 to 66 years.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

13 SHORT-TERM LOANS

	The Group					
	2005			2004		
	Interest rate	Original currency	Renminbi/ Renminbi equivalent	Interest rate	Original currency	Renminbi/ Renminbi equivalent
	'000	'000		'000	'000	
Short-term bank loans						
– Renminbi	4.70% - 5.58%		3,526,860	4.54% - 5.58%		1,740,160
– US Dollars	4.60% - 5.43%	33,139	267,437	2.30% - 2.76%	100,000	827,650
Short-term Renminbi other loans (note)	5.02%		300,000	4.54% - 4.78%		548,037
			<u>4,094,297</u>			<u>3,115,847</u>

	The Company					
	2005			2004		
	Interest rate	Original currency	Renminbi/ Renminbi equivalent	Interest rate	Original currency	Renminbi/ Renminbi equivalent
	'000	'000		'000	'000	
Short-term bank loans						
– Renminbi	4.70% - 5.22%		891,160	5.02%		133,861
– US Dollars	4.60% - 5.43%	33,139	267,437	2.30% - 2.76%	100,000	827,650
Short-term Renminbi other loans (note)	5.02%		42,000	4.54%		198,037
			<u>1,200,597</u>			<u>1,159,548</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

13 SHORT-TERM LOANS (continued)

Note: Short-term Renminbi other loans

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
China Huadian Finance Corporation Limited ("Huadian Finance")	300,000	248,037	—	198,037
Other related party	—	—	42,000	—
Others	—	300,000	—	—
	<u>300,000</u>	<u>548,037</u>	<u>42,000</u>	<u>198,037</u>

The other loans borrowed from Huadian Finance, a subsidiary of China Huadian Corporation ("China Huadian"), bear interest at rates quoted from the People's Bank of China for same periods less 10%.

The above foreign currency loans are translated into Renminbi at the following exchange rate:

	2005	2004
US Dollars	<u>8.0702</u>	<u>8.2765</u>

All the above short-term loans are unsecured.

There is no amount due to shareholders who hold 5% or more voting right of the Company included in the balance of short-term loans.

14 TRADE PAYABLES

There is no amount due to shareholders who hold 5% or more voting right of the Company included in the balance of trade payables.

At 31 December 2004 and 2005, all the trade payables of the Group are due within one year and no individual significant trade payable are aged more than three years.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

15 TAXES PAYABLE

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
VAT payable	99,495	192,660	49,437	148,981
City maintenance and construction tax payable	17,440	16,699	14,588	13,978
Enterprise income tax payable	113,970	84,681	79,098	74,380
Enterprise income tax recoverable	(2,789)	(9,210)	—	—
Others	22,453	23,215	17,325	18,599
Total	250,569	308,045	160,448	255,938

16 OTHER PAYABLES

Other payables mainly represent payable for education surcharge.

Education surcharge is calculated base on 3% of VAT payable.

17 OTHER CREDITORS

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Amount due to China Huadian	33,000	—	33,000	—
Amount due to other related parties	—	—	101,753	48,000
Amount due to independent construction companies	317,092	246,362	44,896	48,458
Others	274,662	179,809	106,104	74,636
	624,754	426,171	285,753	171,094

Amount due to China Huadian represents the remaining balance for the new acquisition of subsidiaries (Note 29(i)).

Amount due to independent construction companies mainly represent quality guarantee deposits.

Except for amount due to China Huadian, there is no amount due to shareholders who hold 5% or more voting right of the Company included in the balance of other creditors.

At 31 December 2004 and 2005, there is no individual significant other creditors of the Group that aged over three years.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

18 LONG-TERM LOANS DUE WITHIN ONE YEAR

	The Group				The Company			
	2005		2004		2005		2004	
	Original	Renminbi/ Renminbi equivalent	Original	Renminbi/ Renminbi equivalent	Original	Renminbi/ Renminbi equivalent	Original	Renminbi/ Renminbi equivalent
	currency	'000	currency	'000	currency	'000	currency	'000
Bank loans due								
within one year								
– Renminbi		1,437,428		1,041,428		350,000		690,000
– US Dollars	32,320	260,826	32,300	267,331	32,000	258,243	32,000	264,848
Shareholder loans								
due within one year								
– Renminbi		175,000		335,000		175,000		335,000
State loans due								
within one year								
– US Dollars	1,188	9,584	1,101	9,111	1,188	9,584	1,101	9,111
Other loans due								
within one year								
– Renminbi		80,000		62,206		—		—
– US Dollars	2,308	18,623	2,308	19,099	—	—	—	—
		<u>1,981,461</u>		<u>1,734,175</u>		<u>792,827</u>		<u>1,298,959</u>
		(note 19(b))		(note 19(b))		(note 19(b))		(note 19(b))

The above foreign currency loans are translated into Renminbi at the following exchange rate:

	2005	2004
US Dollars	<u>8.0702</u>	<u>8.2765</u>

Please refer to note 19 for details of loans.

At 31 December 2005, Weifang Company has overdue loans amounting to RMB 76,428,000 (the Company's proportionate share). These loans are borrowed from China Construction Bank for the construction of 2 x 300MW generating units in Weifang Company which were matured from 1996 to 2000. Weifang Investment Company, one of the joint venture partner of Weifang Company, has been negotiating with China Construction Bank for postponing repayments in order to meet the operations needs of Weifang Company. The current interest rate is 5.76% per annum and no penalty interest is levied. The Company expects the loans will be repaid by the end of 2006.

NOTES ON THE FINANCIAL STATEMENTS (continued)

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(Expressed in Renminbi)

19 LONG-TERM LOANS

(a) Details of repayment terms of long-term loans are as follows:

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Bank loans				
– Between one year to two years	2,055,743	1,863,331	996,071	564,848
– Between two years to five years	5,315,555	4,414,719	2,127,687	1,394,560
– Over five years	2,414,593	2,222,025	—	642,000
	9,785,891	8,500,075	3,123,758	2,601,408
Shareholder loans (note (i))				
– Between one year to two years	—	175,000	—	175,000
– Between two years to five years	335,000	—	335,000	—
– Over five years	800,000	—	250,000	—
	1,135,000	175,000	585,000	175,000
State loans (note (ii))				
– Between one year to two years	10,340	9,831	10,340	9,831
– Between two years to five years	36,374	34,380	36,169	34,380
– Over five years	23,465	35,281	21,420	35,281
	70,179	79,492	67,929	79,492
Other loans (note (iii))				
– Between one year to two years	828,623	99,102	700,000	—
– Between two years to five years	537,024	899,720	198,037	700,000
– Over five years	—	9,554	—	—
	1,365,647	1,008,376	898,037	700,000
	12,356,717	9,762,943	4,674,724	3,555,900

Except for the shareholder loans, there is no amount due to shareholders who hold 5% or more voting right of the Company included in the balance of long-term loans.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

19 LONG-TERM LOANS (continued)

(b) Details of long-term loans are as follows:

The Group

Interest rates and periods		2005		2004	
		Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000
Long-term bank loans					
Renminbi loans	Interest rates mainly ranging from 4.94% to 6.12% per annum as at 31 December 2005 (2004: 4.78% to 5.85%), with maturity up to 2021		10,364,700		9,226,698
US Dollars loans	Interest rates mainly ranging from 4.67% to 5.86% per annum as at 31 December 2005 (2004: 3.94%), with maturity up to 2017	138,713	1,119,445	70,336	582,136
			<u>11,484,145</u>		<u>9,808,834</u>
Shareholder loans (note (i))					
Renminbi loans	Interest rates mainly ranging from 4.98% to 5.85% per annum as at 31 December 2005 (2004: 5.76%), with maturity up to 2015		1,310,000		510,000
			---		---
State loans (note (ii))					
Renminbi loans	Interest rates mainly at 2.55% per annum as at 31 December 2005 (2004: Nil), with maturity up to 2010		2,250		—
US Dollars loans	Interest rates mainly at 3.77% per annum as at 31 December 2005 (2004: 2.05%), with maturity up to 2012	9,605	77,513	10,705	88,603
			<u>79,763</u>		<u>88,603</u>
Other loans (note (iii))					
Renminbi loans	Interest rates mainly ranging from 5.02% to 5.76% per annum as at 31 December 2005 (2004: 4.94% to 5.76%), with maturity up to 2010		1,380,468		984,627
US Dollars loans	Interest rates mainly at 5.93% per annum as at 31 December 2005 (2004: 3.41%), with maturity up to 2010	10,384	83,802	12,693	105,054
			<u>1,464,270</u>		<u>1,089,681</u>
			<u>14,338,178</u>		<u>11,497,118</u>
Less: Long-term loans due within one year (note 18)			<u>(1,981,461)</u>		<u>(1,734,175)</u>
			<u>12,356,717</u>		<u>9,762,943</u>

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

19 LONG-TERM LOANS *(continued)*

(b) Details of long-term loans are as follows: *(continued)*

The Company

Interest rates and periods	Original currency '000	2005	Original currency '000	2004
		Renminbi/ Renminbi equivalent '000		Renminbi/ Renminbi equivalent '000
Long-term bank loans				
Renminbi loans	Interest rates mainly ranging from 4.94% to 5.51% per annum as at 31 December 2005 (2004: 4.94 to 5.51%), with maturity up to 2010		2,661,060	3,026,560
US Dollars loans	Interest rates mainly ranging from 4.67% to 5.86% per annum as at 31 December 2005 (2004: 3.94%), with maturity up to 2008	132,703	1,070,941	64,000
			3,732,001	3,556,256
Shareholder loans (note (ii))				
Renminbi loans	Interest rates mainly ranging from 5.27% to 5.85% per annum as at 31 December 2005 (2004: 5.76%), with maturity up to 2011		760,000	510,000
State loans (note (ii))				
US Dollars loans	Interest rates mainly at 3.77% per annum as at 31 December 2005 (2004: 2.05%), with maturity up to 2012	9,605	77,513	10,705
Other loans (note (iii))				
Renminbi loans	Interest rates mainly ranging from 5.02% to 5.18% per annum as at 31 December 2005 (2004: 4.94%), with maturity up to 2008		898,037	700,000
			5,467,551	4,854,859
Less: Long-term loans due within one year (note 18)			(792,827)	(1,298,959)
			4,674,724	3,555,900

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

19 LONG-TERM LOANS (continued)

(b) Details of long-term loans are as follows: (continued)

The above foreign currency loans are translated into Renminbi at the following exchange rate:

	2005	2004
US Dollars	<u>8.0702</u>	<u>8.2765</u>

Notes:

(i) Shareholder loans

Balance of shareholder loans is analysed as follows:

	The Group		The Company	
	2005	2004	2005	2004
	'000	'000	'000	'000
Shandong International Trust and Investment Company Limited ("SITIC")	760,000	510,000	760,000	510,000
China Huadian	550,000	—	—	—
	<u>1,310,000</u>	<u>510,000</u>	<u>760,000</u>	<u>510,000</u>

Shareholder loans borrowed from SITIC bear interest at rates quoted from the People's Bank of China for same periods.

Shareholder loans borrowed from China Huadian bear fixed interest at 4.98%. These loans 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.

(ii) State loans

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 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.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

19 LONG-TERM LOANS *(continued)*

(b) Details of long-term loans are as follows: *(continued)*

Notes: *(continued)*

(iii) *Other loans*

Balance of other loans is analysed as follows:

	The Group		The Company	
	2005	2004	2005	2004
	'000	'000	'000	'000
<i>Huadian Finance</i>	988,037	730,000	898,037	700,000
<i>Others</i>	476,233	359,681	—	—
	1,464,270	1,089,681	898,037	700,000

Other loans borrowed from Huadian Finance bear interest at rates quoted from the People's Bank of China for same periods less 10%.

(c) Terms of long-term loans are analysed as follows:

	The Group		The Company	
	2005	2004	2005	2004
	'000	'000	'000	'000
On credit	10,705,065	8,236,773	5,390,038	4,766,256
Guaranteed by SEPCO	77,513	88,603	77,513	88,603
Guaranteed by China Huadian	380,000	—	—	—
Guaranteed by third parties	1,245,600	1,691,742	—	—
Secured	1,930,000	1,480,000	—	—
	14,338,178	11,497,118	5,467,551	4,854,859
Less: Long-term loans due within one year	(1,981,461)	(1,734,175)	(792,827)	(1,298,959)
	12,356,717	9,762,943	4,674,724	3,555,900

The secured loans are secured by the income stream in respect of the sale of electricity of a subsidiary.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

20 DEFERRED TAX

Deferred tax (liabilities)/assets are attributable to tax effect of the following items :

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Deferred tax assets:				
Preliminary expenses	8,431	12,537	1,227	1,914
Provision for stock and trade receivables	25,461	26,289	20,067	20,588
Depreciation of fixed assets	1,160	1,160	1,160	1,160
Others	37,082	28,862	28,372	26,749
	<u>72,134</u>	<u>68,848</u>	<u>50,826</u>	<u>50,411</u>
Set-off within legal tax units and jurisdictions	<u>(13,312)</u>	<u>(7,181)</u>	<u>—</u>	<u>—</u>
Total deferred tax assets	<u>58,822</u>	<u>61,667</u>	<u>50,826</u>	<u>50,411</u>
Deferred tax liabilities:				
Depreciation of fixed assets	(312,350)	(239,263)	—	—
Set-off within legal tax units and jurisdictions	<u>13,312</u>	<u>7,181</u>	<u>—</u>	<u>—</u>
Total deferred tax liabilities	<u>(299,038)</u>	<u>(232,082)</u>	<u>—</u>	<u>—</u>
Net deferred tax (liabilities)/assets	<u>(240,216)</u>	<u>(170,415)</u>	<u>50,826</u>	<u>50,411</u>

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

21 SHARE CAPITAL

	2005 '000	2004 '000
Registered, issued and paid up capital:		
4,021,056,200 (2004: 3,825,056,200) domestic shares of RMB 1 each (unlisted)	4,021,056	3,825,056
1,431,028,000 H shares of RMB 1 each	1,431,028	1,431,028
569,000,000 A shares of RMB 1 each (listed)	569,000	—
	<u>6,021,084</u>	<u>5,256,084</u>

All the domestic shares, H shares and A shares rank pari passu in all material respects.

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB 1 each. As a result, the registered capital of the Company was increased to 6,021,084,200 shares. The RMB ordinary shares include 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares were listed on the Shanghai Stock Exchange on 3 February 2005.

The paid up 3,825,056,200 domestic shares were verified by Shandong Jining Public Accounting Firm. The capital verification report Kuai Shi (Zou) Yan Zi No. 102 was issued on 18 June 1994.

The paid up H shares were verified by KPMG Huazhen. The capital verification report KPMG-C-(1999) CV No. 0005 was issued on 30 August 1999.

The paid up A shares and 196,000,000 domestic shares were verified by KPMG Huazhen. The capital verification report KPMG-A-(2005) CR No. 0005 was issued on 28 January 2005.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

22 CAPITAL RESERVE, STATUTORY SURPLUS RESERVE, STATUTORY PUBLIC WELFARE FUND AND DISCRETIONARY SURPLUS RESERVE

(a) Capital reserve

The movement of capital reserve is as follows:

	The Group and the Company		
	Share premium	Others	Total
	'000	'000	'000
At 1 January 2004	747,941	6,837	754,778
Additions	—	605	605
At 31 December 2004	747,941	7,442	755,383
Additions	1,120,501	21,677	1,142,178
At 31 December 2005	1,868,442	29,119	1,897,561

Share premium represents the net premium received from the issuance of H Shares in June 1999 and the issuance of RMB ordinary shares in January 2005. Other capital reserves mainly represent the transfer of government grants from special payables after completion of the relevant projects.

(b) The movement of statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve are as follow:

	The Group and the Company			Total
	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	
	'000	'000	'000	'000
At 1 January 2004	756,322	283,920	60,655	1,100,897
Profit appropriations	104,400	52,200	—	156,600
Transfer to discretionary surplus reserve	—	(3,035)	3,035	—
At 31 December 2004	860,722	333,085	63,690	1,257,497
Profit appropriations	101,497	50,748	—	152,245
Transfer to discretionary surplus reserve	—	(4,399)	4,399	—
At 31 December 2005	962,219	379,434	68,089	1,409,742

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

22 CAPITAL RESERVE, STATUTORY SURPLUS RESERVE, STATUTORY PUBLIC WELFARE FUND AND DISCRETIONARY SURPLUS RESERVE *(continued)*

- (c) Profit appropriations
- (i) Appropriation is determined in accordance with the related rules and terms in the Company's articles of association.
 - (ii) According to the Company's articles of association, the Company is required to appropriate at least 10% of its profit after taxation, as determined under PRC Accounting Standards and Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of the registered share capital. The appropriation to the statutory surplus reserve must be made before distribution of dividend to shareholders.

The statutory surplus reserve can be used to make good previous years' losses, if any, or to increase the share capital provided that the balance after such issue is not less than 25% of the registered share capital.

- (iii) According to the Company's articles of association, the Company is required to appropriate 5% to 10% (at the discretion of the Board of Directors) of its profit after taxation as determined under PRC Accounting Standards and Regulations to the statutory public welfare fund. The use of this fund is restricted to the provision of employees' collective welfare benefits, for example, construction of staff dormitories, staff canteens and other staff welfare facilities. The fund is non-distributable, other than on the Company's liquidation. The appropriation to the statutory public welfare fund must be made before distribution of dividend to shareholders.
- (iv) 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 year end 31 December 2005, RMB 4,399,000 (2004: RMB 3,035,000) of the statutory public welfare fund was transferred to discretionary surplus reserve accordingly.
- (v) The Board of Directors of the Company approved the percentage of appropriation for 2004 and 2005 as follows:

	2005	2004
(a) To statutory surplus reserve	10%	10%
(b) To statutory public welfare fund	5%	5%

For details of distribution of dividend, please refer to note 23.

- (vi) According to the articles of association of the Company, the retained profits available for distribution are the lower of the amounts determined under PRC Accounting Standards and Regulations applicable to the Company and the amount determined under International Financial Reporting Standards ("IFRS") or the applicable financial regulations of the place in which the Company is listed (if the financial statements of the Group is not prepared under IFRS).

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

23 DIVIDENDS

(a) Dividends paid during the year are as follows:

	2005 '000	2004 '000
Interim dividend of RMB 0.02 per share	—	105,122
Final dividend of RMB 0.035 per share for year 2004	210,738	—
Final dividend of RMB 0.035 per share for year 2003	—	183,963
	<u>210,738</u>	<u>289,085</u>

(b) Dividends not provided for in the financial statements:

	2005 '000	2004 '000
Final dividend proposed:		
For the year 2005 (RMB 0.065 per share)	391,370	—
For the year 2004 (RMB 0.035 per share)	—	210,738
	<u>391,370</u>	<u>210,738</u>

Dividend is recognised as a liability in the period of declaration.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

24 SALES FROM PRINCIPAL ACTIVITIES

Sales from principal activities represent revenues from sale of electricity and heat, net of VAT, and are summarised as follow:

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Revenue from sale of electricity	13,034,607	9,975,734	8,020,386	6,668,344
Revenue from sale of heat	265,790	199,704	1,796	—
	<u>13,300,397</u>	<u>10,175,438</u>	<u>8,022,182</u>	<u>6,668,344</u>

Revenues from sale of electricity and heat of the Group are subject to VAT based on the invoiced amounts at 17% and 13% respectively (output VAT). SEPCO, Sichuan Province Power Company and purchasers of heat are liable to pay output VAT together with the invoiced amounts. VAT from purchase of raw materials by the Group (input VAT) can be netted off against output VAT received from sale of electricity and heat.

Total sales from top five customers of the Group, and the percentage over sales from principal activities are as follow:

	2005		2004	
	Total sales '000	Percentage over sales from principal activities	Total sales '000	Percentage over sales from principal activities
The Group	13,215,444	99.4%	10,133,544	99.6%
The Company	<u>8,022,182</u>	<u>100%</u>	<u>6,668,344</u>	<u>100%</u>

25 SALES TAXES AND SURCHARGES

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
City maintenance and construction tax	85,305	75,128	52,759	52,955
Education surcharge	48,986	33,085	30,148	22,694
	<u>134,291</u>	<u>108,213</u>	<u>82,907</u>	<u>75,649</u>

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

26 FINANCIAL EXPENSES

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Interest incurred	773,656	630,934	288,772	263,465
Less: Interest capitalised	(189,404)	(100,440)	(29,661)	(6,867)
Net interest expenses	584,252	530,494	259,111	256,598
Interest income	(19,285)	(12,717)	(12,294)	(9,288)
Net foreign exchange gain	(39,984)	—	(36,601)	—
Net gain on derivative financial instruments	(11,710)	(24,069)	(11,710)	(24,069)
Total	513,273	493,708	198,506	223,241

27 INVESTMENT INCOME

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Long-term equity investment income				
– Accounted for under the cost method	240	30,066	—	29,825
– Accounted for under the equity method	15,856	386	304,700	200,026
Amortisation of equity investment difference	(294)	(123)	(28,710)	(28,538)
Total	15,802	30,329	275,990	201,313

There was no material restriction on the Company to obtain the remittance of investment income.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

28 INCOME TAX

Income tax in the income statement represents:

	The Group		The Company	
	2005	2004	2005	2004
	'000	'000	'000	'000
Current taxation				
Charge for PRC enterprise income tax for the year	436,780	457,050	364,463	421,452
Over-provision in respect of previous years	—	(2,643)	—	—
	436,780	454,407	364,463	421,452
Deferred taxation				
Original and reversal of temporary differences	69,801	57,977	(415)	(7,013)
	506,581	512,384	364,048	414,439

In 2004 and 2005, enterprise income tax was calculated at 15% or 33% on taxable profits (note 3). There was no material deferred taxation not recognised by the Group.

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

29 RELATED PARTIES AND MATERIAL RELATED PARTY TRANSACTIONS

(a) Related parties having the ability to exercise control over the Company

Company name	Registered address	Principal operation	Relationship with the Company	Type of enterprise	Authorised representative
China Huadian	Beijing, the PRC	Development, construction and operation management of electricity related business, organisation of production and sale of electricity and heat	Holding company	State-owned enterprise	He Gong
Guangan Company	Guangan, the PRC	Generation and sale of electricity	Subsidiary	Limited liability company	Chen Jianhua
Qingdao Company	Qingdao, the PRC	Generation and sale of electricity and heat	Subsidiary	Limited liability company	Chen Jianhua
Zibo Company	Zibo, the PRC	Generation and sale of electricity and heat	Subsidiary	Limited liability company	Wang Wenqi
Zhangqiu Company	Zhangqiu, the PRC	Generation and sale of electricity	Subsidiary	Limited liability company	Zhong Tonglin
Tengzhou Company	Tengzhou, the PRC	Generation and sale of electricity and heat	Subsidiary	Limited liability company	Zhong Tonglin
Xinxiang Company	Xinxiang, the PRC	Development of power plant	Subsidiary	Limited liability company	Yang Jiapeng

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

29 RELATED PARTIES AND MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(a) Related parties having the ability to exercise control over the Company *(continued)*

Company name	Registered address	Principal operation	Relationship with the Company	Type of enterprise	Authorised representative
Suzhou Company	Suzhou, the PRC	Development of power plant	Subsidiary	Limited liability company	Zhang Tao
Huadian International Shandong Materials Company Limited	Jinan, the PRC	Procurement of materials	Subsidiary	Limited liability company	Weng Wenqi
Huadian Qingdao Heat Company Limited	Qingdao, the PRC	Sale of heat	Subsidiary	Limited liability company	Weng Wenqi

(b) Registered capital and its movement of the related parties having the ability to exercise control over the Company

Company name	Balance at 1 January '000	Additions for the year '000	Balance at 31 December '000
China Huadian	12,000,000	—	12,000,000
Guangan Company	700,000	570,260	1,270,260
Qingdao Company	380,000	—	380,000
Zibo Company	254,800	120,000	374,800
Zhangqiu Company	180,000	200,508	380,508
Tengzhou Company	245,000	—	245,000
Xinxiang Company	20,000	49,000	69,000
Suzhou Company	10,000	45,000	55,000
Huadian International Shandong Materials Company Limited	30,000	—	30,000
Huadian Qingdao Heat Company Limited	20,000	—	20,000

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

29 RELATED PARTIES AND MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) Shareholding and its movement of related parties having the ability to exercise control over the Company

Company name	Balance at 1 January 2005		Additions for the year		Balance at 31 December 2005	
	Shares		Shares		Shares	
	'000	%	'000	%	'000	%
China Huadian	2,815,075	53.56	196,000	(3.55)	3,011,075	50.01
Guangan Company	560,000	80.00	456,200	—	1,016,200	80.00
Qingdao Company	209,000	55.00	—	—	209,000	55.00
Zibo Company	254,800	100.00	120,000	—	374,800	100.00
Zhangqiu Company	126,000	70.00	179,975	10.41	305,975	80.41
Tengzhou Company	133,500	54.49	—	—	133,500	54.49
Xinxiang Company	—	—	62,100	90.00	62,100	90.00
Suzhou Company	—	—	53,350	97.00	53,350	97.00
Huadian International Shandong Materials Company Limited	28,200	94.00	—	—	28,200	94.00
Huadian Qingdao Heat Company Limited	11,000	55.00	—	—	11,000	55.00

(d) Related parties not having the ability to exercise control over the Company

Related parties not having the ability to exercise control over the Company up to 31 December 2005 were:

Company name	Relationship with the Company
SITIC	holding 15% shareholding in the Company
China Huadian Engineering (Group) Corporation	Controlled by China Huadian
Huadian Finance	Controlled by China Huadian

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

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(Expressed in Renminbi)

29 RELATED PARTIES AND MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

(e) The Board of Directors of the Company are of the opinion that the following material transactions were conducted in the ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

	Note	2005 '000	2004 '000
Construction costs	(i)	17,109	19,797
Interest expenses	(ii)	97,820	58,250
Loans borrowed	(ii)	1,293,037	1,243,037
Loans repaid	(ii)	683,037	301,944

Notes:

(i) The amount represented construction cost paid and payables to China Huadian Engineering (Group) Corporation.

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

In November 2005, Zouxian Power Plant and Weifang Company entered into construction agreements with China Huadian Engineering (Group) Corporation in respect of the construction work of waste-water recycling systems for considerations of RMB 76,658,000 and RMB 50,900,000 (Group's proportionate share: RMB 15,270,000) respectively.

(ii) Loans borrowed from SITIC and Huadian Finance are set out in notes 13 and 19.

(f) In January 2004, the Company acquired 80% equity interest in Guangan Company from China Huadian for a total consideration of RMB 580,800,000.

(g) In August 2004, the Company acquired 40% equity interest in Chizhou Company from China Huadian for a total consideration of RMB 79,740,000.

(h) In April 2005, the Company, China Huadian and certain fellow subsidiaries jointly set up a company, Huadian Property in Beijing, the PRC. Huadian Property was established on 8 June 2005 and has registered capital of RMB 550,000,000. The Company owns 30% equity interest in Huadian Property with a cost of investment amounting to RMB 165,000,000.

(i) In December 2005, the Company acquired 97% equity interest in Suzhou Company and 90% equity interest in Xinxiang Company from China Huadian for considerations of RMB 74,900,000 and RMB 90,100,000 respectively.

(j) On 31 December of 2004 and 2005, the Group and the Company had no balance due to/from related parties, except for loans payable to related parties as disclosed in notes 13 and 19, and other receivables from/creditors to related parties as disclosed in notes 6 and 17 respectively.

NOTES ON THE FINANCIAL STATEMENTS (continued)

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30 CAPITAL COMMITMENTS

As at 31 December, the capital commitments of the Group (not including jointly controlled entity) are as follows:

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Contracted for	12,866,798	7,259,773	6,997,542	3,799,415
Authorised but not contracted for	13,489,193	9,934,627	6,203,586	5,661,312
	<u>26,355,991</u>	<u>17,194,400</u>	<u>13,201,128</u>	<u>9,460,727</u>

The Group's proportionate share of the jointly controlled entity's capital expenditure commitments:

	2005 '000	2004 '000
The Group's proportionate share of the jointly controlled entity's capital commitments	<u>1,058,502</u>	<u>312,096</u>

These capital commitments relate to purchase of fixed assets and capital contributions to the Group's investments and associates.

31 OPERATING LEASE COMMITMENTS

According to those non-cancellable operating lease agreements in respect of land and buildings, the total future minimum lease payments of the Group are as follows:

	The Group and the Company	
	2005 '000	2004 '000
Within one year	33,978	34,778
Between one and two years	30,178	30,178
Between two and three years	30,178	30,178
Over three years	563,323	593,501
	<u>657,657</u>	<u>688,635</u>

Pursuant to an agreement, the Company is leasing certain land from the Provincial Government of Shandong Province for a term of 30 years with effect from 1 September 1997. 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 current annual rental effective from 1 January 2001 is RMB 30,178,000. The future minimum lease payments in respect of the land is calculated based on the existing annual rental of RMB 30,178,000 as the revision of annual rental is still under negotiation.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

(Prepared under PRC Accounting Standards and Regulations)

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32 SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES

The particulars of principal subsidiaries, jointly controlled entity and associates of the Group at 31 December 2005 are as follows:

(i) Subsidiaries

Company	Registered capital '000	Percentage of equity interest held by the Group %	Percentage of equity interest held by the Company %	Percentage of equity interest held by subsidiaries %	Cost of investment '000	Consolidation period	Principal activities
Guangan Company	1,270,260	80	80	—	1,037,013	Since 2004	Generation and sale of electricity
Qingdao Company	380,000	55	55	—	248,318	Since 1999	Generation and sale of electricity and heat
Zibo Company	374,800	100	100	—	374,800	Since 2001	Generation and sale of electricity and heat
Zhangqiu Company	380,508	80.41	80.41	—	305,740	Since 2002	Generation and sale of electricity
Tengzhou Company	245,000	54.49	54.49	—	133,620	Since 2002	Generation and sale of electricity and heat
Xinxiang Company	69,000	90	90	—	90,100	Since 2005	Development of power plant
Suzhou Company	55,000	97	97	—	74,900	Since 2005	Development of power plant
Huadian International Shandong Materials Company Limited	30,000	94	40	60	12,000	Since 2004	Procurement of materials
Huadian Qingdao Heat Company Limited	20,000	55	55	—	11,000	Since 2004	Sale of heat

NOTES ON THE FINANCIAL STATEMENTS (*continued*)

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32 SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES

(*continued*)

The particulars of principal subsidiaries, jointly controlled entity and associates of the Group at 31 December 2005 are as follows: (*continued*)

(i) Subsidiaries (*continued*)

The Group acquired 97% equity interest in Suzhou Company and acquired 90% equity interest in Xinxiang Company in December 2005. Since the respective acquisition dates, the Group has the power to govern the financial and operating policies of the above companies to obtain benefits and bear risks from its operation. As a result, the above companies were included in the consolidated financial statements of the Group since the respective acquisition dates. Net assets as at respective acquisition dates and operating results of the above companies for the period from the dates of acquisition to 31 December 2005 are as follows:

	'000
Net assets at respective acquisition dates:	
Current assets	11,399
Fixed assets	1,972,249
Current liabilities	(649,648)
Long-term liabilities	(1,210,000)
Net assets	<u>124,000</u>

There was no material results of operation for the period from the respective acquisition dates to 31 December 2005.

NOTES ON THE FINANCIAL STATEMENTS *(continued)*

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32 SUBSIDIARIES, JOINTLY CONTROLLED ENTITY AND ASSOCIATES

(continued)

The particulars of principal subsidiaries, jointly controlled entity and associates of the Group at 31 December 2005 are as follows: *(continued)*

(ii) Jointly controlled entity

Company	Registered capital '000	Percentage of equity interest held by the Company %	Cost of investment '000	Consolidation period	Principal activities
Weifang Company	200,000	30	193,983	Since 1999	Generation and sale of electricity

Weifang Power Plant was registered as a limited company on 16 December 2005, and changed its name to "Huadian Weifang Power Generation Company Limited".

(iii) Associates

Company	Registered capital '000	Percentage of equity interest held by the Group %	Percentage of equity interest held by the Company %	Percentage of equity interest held by subsidiaries %	Cost of investment '000	Principal activities
Ningxia Power Company	900,000	31.11	31.11	—	280,000	Generation and sale of electricity, investment holding
Chizhou Company	640,000	40	40	—	258,940	Generation and sale of electricity
Huadian Property	550,000	30	30	—	165,000	Development of property
Luzhou Company	200,000	40	40	—	80,000	Development of power plant
Zhongning Company	171,200	50	50	—	85,600	Generation and sale of electricity
Longtan Coal Company	82,260	36	—	45	40,500	Development of coal mines and sale of coal

NOTES ON THE FINANCIAL STATEMENTS (continued)

(Prepared under PRC Accounting Standards and Regulations)

(Expressed in Renminbi)

33 CONTINGENT LIABILITIES

At 31 December 2005, the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB 876,911,000.

34 EXTRAORDINARY GAIN AND LOSS

According to requirements of "Questions and answers on the preparation of information disclosures of companies issuing public shares No. 1 - extraordinary gain and loss (2004 revised), extraordinary gain and loss of the Group are set out below:

	The Group		The Company	
	2005 '000	2004 '000	2005 '000	2004 '000
Extraordinary gain and loss for the year				
Non-operating income	17,005	8,884	1,447	40
Non-operating expenses	(6,873)	(6,804)	(1,415)	(3,436)
Net gain on derivative financial instruments	11,710	24,069	11,710	24,069
	21,842	26,149	11,742	20,673
Less: Tax effect of the above items	(7,208)	(8,629)	(3,875)	(6,822)
Total	14,634	17,520	7,867	13,851

35 POST BALANCE SHEET EVENT

Up to the approval date of these financial statements, there was no material post balance sheet event required to be disclosed by the Group.

36 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.