Notes to the Financial Statements

As at 31 December 2005
(All amounts expressed in thousands of Rmb unless otherwise stated)

1. Organisation and Operations

Datang International Power Generation Co., Ltd. (the "Company") was incorporated in Beijing, the People's Republic of China (the "PRC"), on 13 December 1994 as a joint stock limited company. The Company listed its H Shares on the Stock Exchange of Hong Kong Limited and the London Stock Exchange Limited on 21 March 1997. The Company was registered as a Sino-foreign joint venture on 13 May 1998.

The principal activity of the Company and its subsidiaries and jointly controlled entity (the "Company and its Subsidiaries") is power generation and power plant development in the PRC. The Company and its Subsidiaries currently own and operate ten coal-fired power plants and one hydropower plant. It is also developing various power plant projects through ventures with other parties. Substantially all of the businesses of the Company and its subsidiaries are conducted within one industry segment.

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

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the balance sheet of the Company and the consolidated financial statements of the Company and its Subsidiaries are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company and its Subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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

2. Summary of Significant Accounting Policies (Cont'd)

(a) Basis of preparation (cont'd)

During 2005, a significant portion of the Company and its Subsidiaries' funding requirements for capital expenditure was satisfied by short-term borrowings. Consequently, as at 31 December 2005, the Company and its Subsidiaries had a negative working capital balance of approximately Rmb9.44 billion (31 December 2004 – Rmb5.41 billion). The Company and its Subsidiaries had significant undrawn borrowing facilities amounting to approximately Rmb63.13 billion (31 December 2004 – Rmb64.72 billion) (Note 31(c)) and may refinance and/or restructure certain short-term loans into long-term loans and will also consider alternative sources of financing, where applicable. The directors of the Company and its Subsidiaries are of the opinion that the Company and its Subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these financial statements on a going concern basis.

Standards, interpretations and amendments to published standards effective in 2005

In 2005, the Company and its Subsidiaries adopted the revised / new standards and interpretations of IFRS below, which are relevant to the operations of the Company and its Subsidiaries. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.

IAS 1	Presentation of Financial Statements
IAS 2	Inventories
IAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
IAS 10	Events after the Balance Sheet Date
IAS 16	Property, Plant, and Equipment
IAS 17	Leases
IAS 21	The Effects of Changes in Foreign Exchange Rates
IAS 24	Related Party Disclosures
IAS 27	Consolidated and Separate Financial Statements
IAS 28	Investments in Associates
IAS 31	Interests in Joint Venture
IAS 32	Financial Instruments: Disclosure and Presentation
IAS 33	Earnings per Share
IAS 36	Impairment of Assets
IAS 38	Intangible Assets
IAS 39	Financial Instruments: Recognition and Measurement
IFRS 2	Share-based Payment
IFRS 3	Business Combinations
IFRS 4	Insurance Contracts
IFRIC Interpretation 1	Changes in Existing Decommission, Restoration and Similar Liability

2. Summary of Significant Accounting Policies (Cont'd)

(a) Basis of preparation (cont'd)

Management assessed the relevance of the adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 32, 33, 38, 39, IFRS 2, 4 and IFRIC Interpretation 1 with respect to the operation of the Company and its Subsidiaries and concluded that they did not result in substantial changes to the accounting policies of the Company and its Subsidiaries.

IAS 1 has affected the presentation of minority interest and other disclosures.

IAS 21 had no material effect on the accounting policy of the Company and its Subsidiaries. The functional currency of each of the entities has been re-evaluated based on the guidance to the revised standard. Most of the entities of the Company and its Subsidiaries operate in the PRC and have adopted Rmb as the functional currency as well as their presentation currency for their respective entities' financial statements.

IAS 24 has extended the identification and disclosure of related parties to include state-owned enterprises and key management personnel of the Company as well as their close family members.

The adoption of IAS 27, 28 and 31 have resulted in changes in accounting policies for investments in subsidiaries, associates and jointly controlled entities in the Company's separate financial statements. Until 31 December 2004, investments in subsidiaries, associates and jointly controlled entities in the Company's separate financial statements were accounted for using the equity method. Subsequent to that date, in the Company's separate financial statements, such investments are recorded at cost less any accumulated impairment losses.

The adoption of IFRS 3 and IAS 36 resulted in changes in the accounting policies for goodwill and the assessment by management of asset impairment.

In accordance with the provisions of IFRS 3, the Company and its Subsidiaries ceased amortisation of goodwill from 1 January 2005. Accumulated amortisation as at 31 December 2004 has been eliminated with a corresponding decrease in the cost of goodwill. From 1 January 2005 onwards, goodwill arising from all acquisitions is tested annually for impairment, as well as when there are indications of impairment.

2. Summary of Significant Accounting Policies (Cont'd)

(a) Basis of preparation (cont'd)

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards, wherever applicable. All revised/new standards adopted by the Company and its Subsidiaries require retrospective application other than:

- IAS 16 – the initial measurement of an item of property, plant and equipment acquired in an exchange of assets transaction is accounted for at fair value prospectively;
- IAS 39 – the derecognition of financial assets is applied prospectively;
- IFRS 3 – cessation of goodwill amortisation is applied prospectively, from the first annual period beginning on or after 31 March 2004.
- IFRS 4 – the disclosure requirements of this standard is applied prospectively, except for disclosures required about accounting policies, recognised liabilities and expenses.

The adoption of IFRS 3 resulted in the following changes:

	As at 31 December 2005
Non-amortisation of goodwill	5,736

	2005
Decrease in operating costs – others	5,736
Increase in basic earnings per share (Rmb)	–

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

2. Summary of Significant Accounting Policies (Cont'd)

(a) Basis of preparation (cont'd)

The adoption of IAS 27 and IAS 28 resulted in the following changes in the Company's separate financial statements:

	As at 31 December	
	2005	2004
Decrease in investments in associates	**19,710**	22,723
Decrease in investments in subsidiaries	**1,268,047**	712,977
Decrease (Increase) in opening retained earnings	**735,700**	(113,482)

	2005	2004
Decrease in investment income	**552,056**	849,182

The adoption of IAS 31 had no impact on the Company's separate financial statements, as the jointly controlled entity was still under construction without profit or loss as at 31 December 2005.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are relevant to the Company and its Subsidiaries and are mandatory for accounting periods of the Company and its Subsidiaries beginning on or after 1 January 2006 or later periods but which the Company and its Subsidiaries have not early adopted, as follows:

- IAS 39 and IFRS 4 (Amendment), Financial Guarantee Contracts and a complementary Amendment to IAS 32, Financial Instruments: Disclosure and Presentation (effective from 1 January 2006). This amendment requires issued financial guarantees, other than those previously asserted by the entity to be insurance contracts, to be initially recognised at their fair value and subsequently measured at the higher of (i) the unamortised balance of the related fees received and deferred, and (ii) the expenditure required to settle the commitment at the balance sheet date. Management is currently assessing the impact of these amendments to IAS 39 on the operations of the Company and its Subsidiaries.

2. Summary of Significant Accounting Policies (Cont'd)

(a) Basis of preparation (cont'd)

Standards, interpretations and amendments to published standards that are not yet effective (cont'd)

- IFRS 7, Financial Instruments: Disclosures, and a complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Company and its Subsidiaries assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures required by the amendment of IAS 1. The Company and its Subsidiaries will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

- IFRIC Interpretation 4, Determining whether an Arrangement contains a Lease (effective from 1 January 2006). IFRIC Interpretation 4 requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement. It requires an assessment of whether: (i) fulfilment of the arrangement is dependent on the use of a specific asset or assets ("the asset"); and (ii) the arrangement conveys a right to use the asset. Management is currently assessing the impact of IFRIC Interpretation 4 on the operations of the Company and its Subsidiaries.

2. Summary of Significant Accounting Policies (Cont'd)

(b) Consolidation

(i) Subsidiaries

Subsidiaries, which are those entities in which the Company and its Subsidiaries have an interest of more than one half of the voting rights or otherwise have power to govern the financial and operating policies, are consolidated. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Company and its Subsidiaries control another entity. Subsidiaries are consolidated from the date on which control is transferred to the Company and its Subsidiaries and are no longer consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the net assets of the subsidiary acquired is recorded as goodwill. See Note 2(f) (i) for the accounting policy on goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless cost cannot be recovered.

Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Company and its Subsidiaries.

In the Company's separate financial statements, investments in subsidiaries are stated at costs less any accumulated impairment loss. The results of subsidiaries are accounted for by the Company on the bases of dividends received and receivable.

(ii) Transactions with minority interests

The Company and its Subsidiaries apply a policy of treating transactions with minority interests as transactions with parties external to the Company and its Subsidiaries. Disposals to minority interests result in gains and losses for the Company and its Subsidiaries that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

2. Summary of Significant Accounting Policies (Cont'd)

(b) Consolidation (cont'd)

(iii) Joint ventures

The Company and its Subsidiaries' interest in a jointly controlled entity is accounted for by proportionate consolidation. The Company and its Subsidiaries combine its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Company and its Subsidiaries' financial statements. The Company and its Subsidiaries recognise the portion of gains or losses on the sale of assets by the Company and its Subsidiaries to the joint venture that it is attributable to the other venturers. The Company and its Subsidiaries do not recognise its share of profits or losses from the joint venture that result from the Company and its Subsidiaries' purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

In the Company's separate financial statements, investment in a jointly controlled entity is stated at cost less any accumulated impairments loss. The results of the joint venture are accounted for by the Company on the bases of dividends received and receivable.

(iv) Associates

Associates are entities over which the Company and its Subsidiaries generally have between 20% and 50% of the voting rights, or over which the Company and its Subsidiaries have significant influence, but which they do not control.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Under this method, the Company and its Subsidiaries' share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments. Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company and its Subsidiaries' interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The Company and its Subsidiaries' investment in associates includes goodwill (net of accumulated impairment loss) on acquisition. When the Company and its Subsidiaries' share of losses in an associate equals or exceeds their interest in the associate, the Company and its Subsidiaries do not recognise further losses, unless the Company and its Subsidiaries have incurred obligations or made payments on behalf of the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted the Company and its Subsidiaries.

2. Summary of Significant Accounting Policies (Cont'd)

(b) Consolidation (cont'd)

(iv) Associates (cont'd)

In the Company's separate financial statements, investments in associates are stated at cost less any accumulated impairments loss. The results of associates are accounted for by the Company on the bases of dividends received and receivable.

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements.

(iii) Group companies

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

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

2. Summary of Significant Accounting Policies (Cont'd)

(d) Property, plant and equipment

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

Depreciation is calculated on a straight-line basis to write off fixed assets, after taking into account the estimated residual value, over their estimated useful lives as follows:

Buildings	20 – 50 years
Electricity utility plants in service:	
Coal-fired electricity utility plants	12 – 30 years
Hydro electricity utility plants	12 – 45 years
Transportation facilities, computer and others	4 – 10 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2(h)).

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

Expenditure incurred after the property, plant and equipment have been put into operation, such as repair and maintenance and overhaul costs, is normally charged to the income statement in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditure is capitalised as additional cost of property, plant and equipment.

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period of time that is required to complete and prepare the assets for its intended use. Other borrowing costs are expensed.

Gains and losses on disposals are determined by comparing the proceeds on disposal with the carrying amount and are included in operating profit.

2. Summary of Significant Accounting Policies (Cont'd)

(e) Financial assets

The Company and its Subsidiaries classified their financial assets into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'account receivable', 'notes receivable' and 'other receivables and current assets' in the balance sheet.

(iii) Available-for-sale financial investments

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

2. Summary of Significant Accounting Policies (Cont'd)

(e) Financial assets (cont'd)

(iv) Recognition and derecognition of financial assets

Regular purchases and sales of investments are recognised on trade-date-the date on which the Company and its Subsidiaries commit to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company and its Subsidiaries have transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category, including interest and dividend income, are presented in the income statement within 'other operating costs' in the period in which they arise.

Changes in the fair value of securities classified as available-for-sale are recognised in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other operating costs'. Dividends on available-for-sale equity instruments are recognised in the income statement when the right of the Company and its Subsidiaries to receive payments is established.

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

2. Summary of Significant Accounting Policies (Cont'd)

(e) Financial assets (cont'd)

(iv) Recognition and derecognition of financial assets (cont'd)

The Company and its Subsidiaries assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(f) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the share of the Company and its Subsidiaries on the net identifiable assets acquired at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Resource use rights

Resource use rights are shown at historical cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over their estimated useful lives (10 years).

(g) Operating lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2. Summary of Significant Accounting Policies (Cont'd)

(h) Impairment of non-financial assets

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

(i) Inventories

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

(j) Receivables

Receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of receivables is established when there is objective evidence that the Company and its Subsidiaries will not be able to collect all amounts due according to the original terms of receivables.

(k) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and financial institution and other short-term highly liquid investments with original maturities of three months or less.

2. Summary of Significant Accounting Policies (Cont'd)

(l) Borrowings

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

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

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

(m) Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Currently enacted tax rates are used in the determination of deferred income tax.

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

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

(n) Government grants

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

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

2. Summary of Significant Accounting Policies (Cont'd)

(o) Provisions

Provisions are recognised when the Company and its Subsidiaries have a present legal or constructive obligation as a result of past events it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

(p) Revenue and income recognition

Revenue and income are recognised when it is probable that the economic benefits associated with a transaction will flow to the Company and its Subsidiaries and the revenue and the costs incurred or to be incurred in respect of the transaction can be measured reliably and on the following bases:

(i) Operating revenue

Substantially all operating revenue represents the amount of tariffs billed for electricity generated and transmitted to the respective regional or provincial power companies. Operating revenue is billed and recognised upon transmission of electricity and heat to the customers.

(ii) Interest income

Interest income from deposits placed with banks and other financial institutions is recognised on a time proportion basis that takes into account the effective interest yield on the assets.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

2. Summary of Significant Accounting Policies (Cont'd)

(q) Retirement and staff housing benefits

(i) Pension obligations

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

Costs of retirement benefits are charged to income statement as incurred.

(ii) Staff housing benefits

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

In 2005, the Company also starts to provide monetary housing subsidies to its employees. These subsidies are considered housing benefit and are amortised on a straight-line basis over the estimated service lives of relevant employees and included in wages and staff welfare expenses.

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

(r) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

2. Summary of Significant Accounting Policies (Cont'd)

(s) Minority interests

Minority interests include the minorities' proportion of the fair value of identifiable assets and liabilities of subsidiaries.

Changes in minority interests represent new capital injection from minority shareholders, share of profit and loss and dividend paid which should belong to minority shareholders.

The losses applicable to the minority in a consolidated subsidiary may exceed the minority interests in the equity of the subsidiary. The excess, and any further losses applicable to the minority, are charged against the majority interests except to the extent that the minority has a binding obligation to, and is able to, make good the losses. If the subsidiary subsequently reports profits, the majority interest is allocated for all such profits until the minority's share of losses previously absorbed by the majority has been recovered.

(t) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or as income. Distributions to holders of financial instruments classified as equity are charged directly to equity. When the rights and obligations regarding the manner of settlement of financial instruments depend on the occurrence or non-occurrence of uncertain future events or on the outcome of uncertain circumstances that are beyond the control of both the issuer and the holder, the financial instrument is classified as a liability unless the possibility of the issuer being required to settle in cash or another financial asset is remote at the time of issue, in which case the instrument is classified as equity.

(u) Derivative financial instruments

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

Derivative financial instruments do not qualify for hedge accounting are classified as held-for-trading and carried at fair value, with changes in fair value included in the income statements.

2. Summary of Significant Accounting Policies (Cont'd)

(v) Financial guarantee contracts

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

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

(w) Contingencies

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

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

(x) Dividends

Dividends are recorded in the financial statements of the Company and its Subsidiaries in the period in which they are approved by the shareholders of the Company and its Subsidiaries.

(y) Subsequent events

Post-year-end events that provide additional information about to the Company and its Subsidiaries' position at the balance sheet date (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

3. Financial Risk Management

(a) Financial risk factors

The activities of the Company and its Subsidiaries expose them to a variety of financial risks including cash flow interest rate risk, foreign exchange risk, credit risk and liquidity risk.

(i) Cash flow interest rate risk

The Company and its Subsidiaries' interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company and its Subsidiaries to cash flow interest rate risk. The Company and its Subsidiaries manage its cash flow interest rate risk by using "pay-floating-receive-fixed" interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The amounts of borrowings at fixed rates and variable rates are disclosed in Notes 17.

(ii) Foreign exchange risk

The businesses of the Company and its Subsidiaries are principally conducted in Rmb, except that purchases and financing of certain electricity utility plant equipment are denominated in United States dollars (USD). Dividends to shareholders holding H Shares are declared in Rmb and paid in Hong Kong dollars (HKD). As at 31 December 2005, all of the Company and its Subsidiaries' assets and liabilities were denominated in Rmb except for cash and bank deposits of approximately Rmb432 million (31 December 2004 – Rmb1,465 million), long-term loans of approximately Rmb3,851 million (31 December 2004 – Rmb3,893 million) and convertible bond of approximately Rmb1,099 million (31 December 2004 – Rmb1,078 million) which were denominated in foreign currencies, principally in USD and HKD. Fluctuation of exchange rate of Rmb against foreign currencies could affect the Company and its Subsidiaries' results of operation.

(iii) Credit risk

Each power plant of the Company and its Subsidiaries sells the electricity generated to its sole customer (the provincial or regional power company) in the province or region where the power plant is situated.

Substantially all of the Company and its Subsidiaries' sales for the year were made to North China Grid Company Limited ("NCG") and its subsidiaries (see Note 23). In addition, the 10 largest suppliers accounted for approximately 70% (2004 – 66%) of the coal purchases of the Company and its Subsidiaries for the year ended 31 December 2005.

3. Financial Risk Management (Cont'd)

(a) Financial risk factors (cont'd)

(iii) Credit risk (cont'd)

The Company and its Subsidiaries do not guarantee obligations of other parties except for the Company's proportionate share of the loans of its subsidiaries, jointly controlled entity and associates.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Company considers that its maximum exposure is reflected by the amount of trade receivables and other current assets, net of provisions for impairment recognised at the balance sheet date.

(iv) Liquidity risk

The Company and its Subsidiaries' policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet its commitments regarding construction of power plants. The amount of undrawn borrowing credit facilities at the balance sheet date is disclosed in Note 31(c).

(b) Risk related to financial guarantee provided to joint venture and associates

The Company issues financial guarantee contract to its joint venture and associates for their borrowings from banks for business development. The risk under any one financial guarantee contract is the possibility that the insured event (default of a specified debtor) occurs and the uncertainty of the amount of the resulting claims.

Experience shows credit risks from specified debtors are relatively remote. The Company maintains a close watch on the financial position and liquidity of the subsidiaries and associates for which financial guarantees have been granted in order to mitigate such risks. The Company and its Subsidiaries take all reasonable steps to ensure that they have appropriate information regarding their claim exposures. Critical accounting estimates and details of financial guarantee contracts are disclosed in Note 4(c) and Note 33, respectively.

3. Financial Risk Management (Cont'd)

(c) Fair value estimation

The carrying amounts of the Company and its Subsidiaries' cash and cash equivalents, short-term bank deposits over three months, receivables, accounts payable and accrued liabilities and short-term loans approximate to their fair values because of the short maturity of these instruments.

Available-for-sale investments are measured at cost less any provision for impairment as there is no quoted market price in an active market and their fair value cannot be reliably measured (see Note 9).

The fair value of financial assets at fair value through profit or loss is estimated by reference to their quoted market price at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows.

The fair value of long-term loans, including current portions, of approximately Rmb 31,750 million (31 December 2004 – Rmb19,025 million) as at 31 December 2005, have been estimated by applying a discounted cash flow approach using interest rates available for comparable instruments. As at the same date, the book value of these liabilities was approximately Rmb31,704 million (31 December 2004 – Rmb19,056 million).

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

4. Critical Accounting Estimates and Judgements

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

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

4. Critical Accounting Estimates and Judgements (Cont'd)

(a) Income tax

Estimation of future income taxes requires projection of tax rates expected to be in effect in years in which tax benefits will be realised. Charges to the amount and timing of tax rates in future years can impact the amount of income tax expense or recovery recognised in an accounting period. The realisation of future income tax asset is dependent on the Company and its Subsidiaries' ability to generate sufficient taxable income in future years to utilise income tax benefits and income tax loss carry-forwards. Deviations of future profitability from estimates would result in adjustment to the value of future income tax assets and liabilities that could have a significant effect on earnings.

(b) Useful lives of property, plant and equipment

The management of the Company and its Subsidiaries determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected wear and tear incurred during power generation. It could change significantly as a result of technical innovations on power generators. Management will adjust the depreciation charge where useful lives vary with previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(c) The ultimate liabilities arising from claims under financial guarantee contracts

The estimation of the ultimate liabilities arising from claims made under financial guarantee contracts is a critical accounting estimate of the Company and its Subsidiaries. The financial positions and liquidity of the subsidiaries and associates which financial guarantees granted represented the major factor to be accounted for in the liability adequacy tests. Based on historical experience, the directors of the Company believe that the liabilities for financial guarantee contracts carried at year end are adequate. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of insurance liabilities currently stated in the balance sheets. Details of the Company's financial guarantee contracts are disclosed in Note 33.

4. Critical Accounting Estimates and Judgements (Cont'd)

(d) Carrying value of investments

The carrying value of investments is reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. An impairment loss is recognised for the amounts by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Estimating the recoverable amount of assets includes various assumptions, where future events may not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the Company and its Subsidiaries' results or financial position.

(e) Fair value of derivative financial instrument

The fair value of derivative financial instrument is the current bid price and, for an asset to be acquired or liability held, the asking price. If the market for an instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash analysis and option pricing models. Deviations of future cash flows would result in an adjustment to the value of the derivative financial instrument that could have a significant effect on income statements.

(f) Restraint in construction of new power plants

The estimation of the ultimate approval from State Development and Reform Committee ("SDRC") on certain of the Company's power plants construction projects is a critical estimate and judgement of the Group. This estimate and judgement is based on initial approval documents received as well as their understanding of the projects. Based on experience, the directors believed that the Group will receive final approval from SDRC on the power plants projects. Deviation from the estimate would result in adjustment to the value of the property, plant and equipment and could have a significant effect on the financial position of the Group.

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

5. Property, Plant and Equipment

	Company and its Subsidiaries				
	Buildings	Electricity utility plants in service	Transportation facilities, computer and others	Construction-in-progress	Total
Cost					
At 1 January 2004	1,908,654	24,618,908	582,295	8,374,864	35,484,721
Reclassification	(778,857)	781,570	(2,713)	–	–
Transfer in/(out)	31,030	6,686,648	74,461	(6,792,139)	–
Additions	1,202	11,809	71,103	16,843,874	16,927,988
Disposals	(4,413)	(123,268)	(8,837)	–	(136,518)
At 31 December 2004	1,157,616	31,975,667	716,309	18,426,599	52,276,191
Reclassification	10,393	(45,947)	35,554	–	–
Transfer in/(out)	1,088,328	8,948,093	60,045	(10,096,466)	–
Additions	45,200	124,375	79,159	19,532,351	19,781,085
Disposals	(2,466)	(150,865)	(10,985)	(210,615)	(374,931)
At 31 December 2005	2,299,071	40,851,323	880,082	27,651,869	71,682,345
Accumulated depreciation					
At 1 January 2004	204,736	7,188,909	244,371	–	7,638,016
Reclassification	(39,229)	31,000	8,229	–	–
Charge for the year	23,898	2,015,199	60,738	–	2,099,835
Written back on disposals	(221)	(89,730)	(7,502)	–	(97,453)
At 31 December 2004	189,184	9,145,378	305,836	–	9,640,398
Reclassification	531	(1,669)	1,138	–	–
Charge for the year	62,538	2,638,171	86,922	–	2,787,631
Written back on disposals	(356)	(111,763)	(10,122)	–	(122,241)
At 31 December 2005	251,897	11,670,117	383,774	–	12,305,788
Net book value					
At 31 December 2005	2,047,174	29,181,206	496,308	27,651,869	59,376,557
At 31 December 2004	968,432	22,830,289	410,473	18,426,599	42,635,793
At 1 January 2004	1,703,918	17,429,999	337,924	8,374,864	27,846,705

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

5. Property, Plant and Equipment (Cont'd)

	Company				
	Buildings	Electricity utility plants in service	Transportation facilities, computer and others	Construction-in-progress	Total
Cost					
At 1 January 2004	1,238,484	14,565,874	396,294	1,273,882	17,474,534
Reclassification	(264,823)	247,711	17,112	–	–
Transfer in/(out)	29,973	336,607	26,951	(393,531)	–
Additions	–	3,094	25,070	5,242,798	5,270,962
Disposals	–	(117,778)	(8,837)	–	(126,615)
At 31 December 2004	1,003,634	15,035,508	456,590	6,123,149	22,618,881
Transfer in/(out)	180,345	780,879	13,462	(974,686)	–
Additions	–	2,136	40,326	7,891,492	7,933,954
Disposals	(158)	(142,646)	(8,990)	(210,615)	(362,409)
As 31 December 2005	1,183,821	15,675,877	501,388	12,829,340	30,190,426
Accumulated depreciation					
At 1 January 2004	200,435	6,434,704	218,759	–	6,853,898
Reclassification	(39,777)	38,215	1,562	–	–
Charge for the year	15,690	1,093,019	37,318	–	1,146,027
Written back on disposals	–	(89,251)	(7,502)	–	(96,753)
At 31 December 2004	176,348	7,476,687	250,137	–	7,903,172
Charge for the year	16,476	1,104,144	44,680	–	1,165,300
Written back on disposals	(158)	(110,435)	(8,835)	–	(119,428)
As 31 December 2005	192,666	8,470,396	285,982	–	8,949,044
Net book value					
At 31 December 2005	991,155	7,205,481	215,406	12,829,340	21,241,382
At 31 December 2004	827,286	7,558,821	206,453	6,123,149	14,715,709
At 1 January 2004	1,038,049	8,131,170	177,535	1,273,882	10,620,636

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

5. Property, Plant and Equipment (Cont'd)

Interest expenses of approximately Rmb893 million (2004 – approximately Rmb522 million) arising on financing specifically entered into for the construction of power plants were capitalised during the year and are included in "Additions" in property plant and equipment. A capitalisation rate from 3.60% to 6.12% (2004 – 2.88% to 6.12%) was used, representing the interest expenses of the loan used to finance the projects.

SDRC issued Document No.32 <Opinion on Restraining Undisciplined Power Plant Construction> in November 2004 which aims at bringing power plants construction under control. The Company and its Subsidiaries have a significant portion of power plants under construction which may be impacted by Document No.32. The directors of the Company and its Subsidiaries have assessed the approval requirements of Document No.32 and consider that the power plants under construction will ultimately obtain SDRC approvals.

As at 31 December 2005 and 2004, no plant, property and equipment was pledged to secure the Company and its Subsidiaries' borrowings.

6. Investments in Subsidiaries

	Company	
	2005	2004
Beginning of year, as previously reported	**3,882,592**	2,539,373
Effect of change in accounting policy (Note 2(a))	**(712,977)**	139,901
Beginning of year, as restated	**3,169,615**	2,679,274
Additions	**358,811**	490,341
Reduction	**(10,000)**	–
End of year	**3,518,426**	3,169,615

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

6. Investments in Subsidiaries (Cont'd)

As at 31 December 2005, the Company holds equity interests in the following subsidiaries, all of which are unlisted and limited liability companies established and operated in the PRC:

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Inner Mongolia Datang International Tuoketuo Power Generation Company Limited ("Tuoketuo Power Company")	17 November 1995	1,614,020	60%	Power generation
Tianjin Datang International Panshan Power Generation Company Limited ("Panshan Power Company")	6 August 1997	831,253	75%	Power generation
Hebei Datang International Huaze Hydropower Development Company Limited ("Huaze Hydropower Company")	29 July 1998	59,162	90%	Hydropower generation
Shanxi Datang International Shentou Power Generation Company Limited ("Shentou Power Company")	8 December 1998	748,520	60%	Power generation
Shanxi Datang International Yungang Thermal Power Company Limited ("Yungang Thermal Power Company")	14 July 2000	250,000	80%	Power generation
Yunnan Datang International Honghe Power Generation Company Limited ("Honghe Power Company")	27 April 2001	109,157	70%	Power generation (under construction)
Gansu Datang International Liancheng Power Generation Company Limited ("Liancheng Power Company")	18 August 2001	98,000	55%	Power generation
Hebei Datang International Tangshan Thermal Power Company Limited ("Tangshan Thermal Power Company")	21 February 2002	380,264	80%	Power generation
Yunnan Datang International Nalan Hydropower Development Company Limited ("Nalan Hydropower Company")	30 October 2002	28,477	51%	Hydropower generation (under construction)

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

6. Investments in subsidiaries (Cont'd)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Yunnan Datang International Lixianjiang Hydropower Development Company Limited ("Lixianjiang Hydropower Company")	8 November 2002	60,000	70%	Hydropower generation (under construction)
Shanxi Datang International Yuncheng Power Generation Company Limited ("Yuncheng Power Company")	28 March 2003	10,000	80%	Power generation (pre-construction)
Jiangsu Datang International Lusigang Power Generation Company Limited ("Lusigang Power Company")	18 September 2003	50,000	90%	Power generation (under construction)
Guangdong Datang International Chaozhou Power Generation Company Limited ("Chaozhou Power Company")	15 November 2003	30,000	75%	Power generation (under construction)
Fujian Datang International Ningde Power Generation Company Limited ("Ningde Power Company")	2 December 2003	50,000	51%	Power generation (under construction)
Datang International (Hong Kong) Limited	3 December 2004	23,511	100%	Power related consulting services
Chongqing Datang International Wulong Hydropower Development Company Limited ("Wulong Hydropower Company")	24 January 2005	50,000	51%	Hydropower generation (pre-construction)
Yunnan Datang International Wenshan Hydropower Development Company Limited ("Wenshan Hydropower Company")	8 April 2005	60,000	60%	Hydropower generation (pre-construction)

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

7. Investment in a Jointly Controlled Entity

The following amounts represent the Company's 50% share of the assets and liabilities of the joint venture. They are included in the consolidated balance sheet.

	2005
Assets:	
Non-current assets	**15,876**
Current assets	**34,169**
	50,045
Liabilities:	
Current liabilities	**45**
Net assets	**50,000**
Proportionate interests in joint venture's commitments	**6,864**

As at 31 December 2005, the Company held equity interests in the following jointly controlled entity, which is unlisted and limited liability company established and operated in the PRC:

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Hebei Yuzhou Energy Multiple Development Company Limited	29 September 2005	100,000	50%	Power generation (pre-construction)

As at 31 December 2005, the Company had provided guarantees for loans to the jointly controlled entity according to the Company's shareholding percentage in it totally approximately Rmb65 million.

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

8. Investments in Associates

	Company and its Subsidiaries	
	2005	2004
Beginning of year	**514,415**	224,435
Additional investments	**281,914**	319,140
Share of results after tax	**(1,273)**	(3,697)
Dividends	**(1,740)**	–
Disposal of investment	**–**	(25,463)
End of year	**793,316**	514,415

	Company	
	2005	2004
Beginning of year as previously reported	**510,415**	224,435
Effect of change in accounting policy (Note 2(a))	**(22,723)**	(26,420)
Beginning of year, as restated	**487,692**	198,015
Additional investments	**209,000**	315,140
Disposal of investment	**–**	(25,463)
End of year	**696,692**	487,692

The additions in 2005 mainly represented the Company's investments in various power plant projects and entities in other industries.

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

8. Investments in Associates (Cont'd)

The gross amounts of results, assets and liabilities (excluding goodwill) of the associates of the Company and its Subsidiaries are as follows:

	2005	2004
Assets	**12,000,043**	5,152,926
Liabilities	**9,228,416**	3,687,656
Net operating revenue	**424,346**	239,250
Profit for the year	**30,698**	2,953
Profit attributable to equity holders of the associate	**(50,998)**	(4,708)

As at 31 December 2005, the Company holds equity interests in the following associates, all of which are unlisted and limited liability companies established and operated in the PRC:

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
North China Electric Power Research Institute Company Limited ("NCEPR")	7 December 2000	100,000	30%	Power related technology services
Beijing Texin Datang Heat Company Limited ("Datang Texin")	27 April 2002	172,800	49%	Provision of heat transfer service
Chongqing Datang International Pengshui Hydropower Development Company Limited ("Pengshui Hydropower Company")	28 August 2003	125,000	40%	Hydropower generation (under construction)
Ningxia Datang International Daba Power Generation Company Limited ("Daba Power Company")	31 October 2003	20,000	45%	Power generation (pre-construction)

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

8. Investments in Associates (Cont'd)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Tongfang Investment Company Limited	8 May 2004	550,000	36.4%	Project investment and management
Tongmei Datang Multiple Utilisated Thermal Power Company Limited ("Tongmei Thermal Power Company")*	28 May 2004	20,000	20%	Power generation (pre-construction)
Tongmei Datang Tashan Coal mine Company Limited ("Tashan Coal Mine")	15 July 2004	50,000	28%	Coal mining
Tangshan Huaxia Datang Fuel Company Limited	10 August 2004	20,000	30%	Fuel trading
China Datang Group Finance Company Limited ("Datang Finance")	10 May 2005	500,000	20%	Provision of financial services
Qian'an Datang Thermal Power Company Limited ("Qian'an Power Company")**	15 November 2005	20,000	36%	Power generation (pre-construction)

* As at 31 December 2005, Tongmei Thermal Power Company was an associate of Yungang Thermal Power Company.

** As at 31 December 2005, Qian'an Power Company was an associate of Tangshan Thermal Power Company.

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

9. Available-for-sale Investments

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Beginning of the year	**336,700**	155,620	**336,700**	154,720
Addition	**52,524**	181,980	**48,130**	181,980
Reduction	**(82,930)**	(900)	**(82,930)**	–
End of the year	**306,294**	336,700	**301,900**	336,700

Available-for-sale investments of the Company and its Subsidiaries mainly comprised a 10% unlisted equity investment in China Continent Property & Casualty Insurance Company Ltd. ("CCPC"), a 0.98% unlisted equity investment in Daqin Railway Company Limited ("Daqin Railway") and a 13.97% unlisted equity investment in Tanggang Railway Company ("Tanggang Railway").

The reduction in 2005 mainly represented the disposal of a 16% unlisted equity investment in NCPG Finance Company Ltd ("NCPG Finance").

These investments do not have quoted market prices in an active market. CCPC is a financial institution providing property insurance services. The principle activity of Daqin Railway and Tanggang Railway is to provide railway transportation services. Based upon the limited forecast financial information regarding these investments available to the Company, the directors are of the opinion that there are no appropriate methods to reliably measure their fair values. Accordingly, these investments are stated at cost and are subject to review for impairment loss.

There were no provisions for impairment on available-for-sale investments for the year ended 31 December 2005 and 2004.

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

10. Deferred Housing Benefits

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

In 2005, the Company carried out another housing benefit scheme – "Monetary Housing Benefit Scheme" in accordance with the approval from Housing Reform Office of Beijing Municipal Government. Under the Monetary Housing Benefit Scheme, the Company will provide monetary housing subsidies to those employees whose houses do not meet the standard they should have enjoyed based on the duration of service and their posts and ranks. The subsidy payment amounted to approximately Rmb95,700,000 and is amortised over the remaining service life of the relevant employees, effectively being the shorter of a 10-year period or the residual service period prior to their retirements.

	Company and its Subsidiaries	
	2005	2004
Cost		
Beginning of year	**342,837**	342,837
Addition	**95,700**	–
End of year	**438,537**	342,837
Accumulated amortisation		
Beginning of year	**(193,452)**	(156,105)
Charge for the year	**(56,618)**	(37,347)
End of year	**(250,070)**	(193,452)
Net book value		
End of year	**188,467**	149,385
Beginning of year	**149,385**	186,732

As at 31 December 2005 and 2004, there was no deferred housing benefit in subsidiaries' accounts.

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

11. Intangible Assets

	Company and its Subsidiaries			
	Goodwill	Resource use rights	Other	Total
At 1 January 2004				
Cost	57,363	–	–	57,363
Accumulated amortisation	(18,210)	–	–	(18,210)
Net book amount	39,153	–	–	39,153
Year ended 31 December 2004				
Beginning of year	39,153	–	–	39,153
Amortisation for the year	(5,592)	–	–	(5,592)
End of year	33,561	–	–	33,561
At 31 December 2004				
Cost	57,363	–	–	57,363
Accumulated amortisation	(23,802)	–	–	(23,802)
Net book amount	33,561	–	–	33,561
At 1 January 2005				
Cost, as previously reported	57,363	–	–	57,363
Effect of change in accounting policy (Note 2(a))	(23,802)	–	–	(23,802)
Cost, as restated	33,561	–	–	33,561
Accumulated amortisation, as previously reported	(23,802)	–	–	(23,802)
Effect of change in accounting policy (Note 2(a))	23,802	–	–	23,802
Accumulated amortisation, as restated	–	–	–	–
Net book amount	33,561	–	–	33,561
Year ended 31 December 2005				
Beginning of year, as restated	33,561	–	–	33,561
Additions	–	20,000	9,900	29,900
Amortisation for the year	–	(333)	(824)	(1,157)
End of year	33,561	19,667	9,076	62,304
At 31 December 2005				
Cost	33,561	20,000	9,900	63,461
Accumulated amortisation	–	(333)	(824)	(1,157)
Net book amount	33,561	19,667	9,076	62,304

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

11. Intangible Assets (Cont'd)

	Company
	Goodwill
At 1 January 2004	
Cost	57,363
Accumulated amortisation	(18,210)
Net book amount	39,153
Year ended 31 December 2004	
Beginning of year	39,153
Amortisation for the year	(5,592)
End of year	33,561
At 31 December 2004	
Cost	57,363
Accumulated amortisation	(23,802)
Net book amount	33,561
At 1 January 2005	
Cost, as previously reported	57,363
Effect of change in accounting policy (Note 2(a))	(23,802)
Cost, as restated	33,561
Accumulated amortisation, as previously reported	(23,802)
Effect of change in accounting policy (Note 2(a))	23,802
Accumulated amortisation, as restated	–
Net book amount	33,561
Year ended 31 December 2005	
Beginning of year, as restated	33,561
Additions	–
Amortisation for the year	–
End of year	33,561
At 31 December 2005	
Cost and net book value	33,561

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

11. Intangible Assets (Cont'd)

Goodwill represents the excess of the cost of the Company's acquisition of Zhang Jia Kou Power Plant Unit 2 acquired in 2000 over the fair value of the share of the Company on the net asset. As at 31 December 2005 and 2004, there was no goodwill in the subsidiaries' accounts. The directors believe that there is no impairment of the goodwill.

12. Inventories

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Fuel	**394,605**	152,800	**174,694**	50,251
Spare parts and consumable supplies	**298,414**	289,815	**105,020**	157,951
	693,019	442,615	**279,714**	208,202

As at 31 December 2005 and 2004, all inventories were carried at cost.

13. Accounts Receivable

Accounts receivable of the Company and its Subsidiaries mainly represents the receivable from the respective regional or provincial grid companies for tariff revenue. This receivable is unsecured and non-interest bearing. The tariff revenue is settled on a monthly basis according to the payment provisions in the power purchase agreements. As at 31 December 2005, all tariff revenues receivable from the respective grid companies were aged within three months, and no doubtful debt provisions were made thereof.

14. Cash and Cash Equivalents

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Deposits with NCPG Finance	**350**	250,466	**323**	247,906
Bank deposits	**1,028,403**	3,210,826	**781,774**	1,684,946
Cash on hand	**586**	727	**340**	384
	1,029,339	3,462,019	**782,437**	1,933,236

The effective interest rates on the Rmb and foreign cash deposits was 0.72% per annum (2004 – 0.72% to 1.44% per annum) and 0.0001% to 4.22% per annum (2004 – 0.0001% to 2.2100% per annum), respectively. These deposits have an average maturity of 10 days (2004 – 5 days).

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

15. Share Capital

As at 31 December 2005, the authorised share capital of the Company was Rmb5,162,849,000, divided into 5,162,849,000 shares of Rmb1 each. The issued and fully paid up share capital of the Company as at 31 December 2005 and 2004 was as follows:

	Number of shares	Share capital	Share interest
	'000	RMB'000	%
Domestic Shares	3,732,180	3,732,180	72.29
H Shares	1,430,669	1,430,669	27.71
	5,162,849	5,162,849	100.00

Domestic shares are non-listed promoter shares subscribed by promoters in Rmb upon the Company's incorporation.

H-shares were listed on The Stock Exchange of Hong Kong Limited and the London Stock Exchange Limited on 21 March 1997.

Domestic shares and H shares rank pari passu with each other and in particular will rank in full for all dividends or distributions declared and paid.

16. Reserves

(a) Capital reserve

Capital reserve mainly represents the difference between the nominal amount of the domestic shares issued and the fair value of the net assets injected into the Company during its formation and also proceeds from the issue of H Shares in excess of their par value, net of expenses related to the issue of the shares in 1997. The reserve is non-distributable.

(b) Statutory surplus reserve

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

16. Reserves (Cont'd)

(b) Statutory surplus reserve (cont'd)

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

(c) Statutory public welfare fund

In accordance with the Company and its Subsidiaries' articles of association, 5%-10% of its net profit is to be appropriated to a statutory public welfare fund. The statutory public welfare fund can only be utilised on capital items for the collective benefits of the Company and its Subsidiaries' employees such as construction of canteen and other staff welfare facilities. Title of these capital items will remain with the Company and its Subsidiaries. This fund is non-distributable other than in liquidation.

Statutory public welfare fund is transferred out to discretionary surplus reserve upon utilisation for the collective benefits of the employees. For the year ended 31 December 2005, approximately Rmb106,115,000 (2004 – Rmb51,545,000) of the statutory public welfare fund was transferred out to the discretionary surplus reserve accordingly.

(d) Discretionary surplus reserve

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

On 27 March 2006, the Board of Directors proposed an appropriation of profit of approximately Rmb759,910,000 to the discretionary surplus reserve for the year ended 31 December 2005. The proposed profit appropriation is subject to the shareholders' approval in their next general meeting.

On 28 March 2005, the Board of Directors proposed an appropriation of profit of approximately Rmb1,281,777,000 to the discretionary surplus reserve for the year ended 31 December 2004. The proposed profit appropriation was approved by the shareholders in their general meeting date 21 June 2005.

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

16. Reserves (Cont'd)

(e) Restricted reserve

Pursuant to documents Cai Qi [2000] 295, Cai Qi [2000] 878 and Cai Kuai [2001] 5 issued by Ministry of Finance ("MOF"), deferred housing benefits that were approved by the government, before the effective date of Cai Qi [2005] 295, i.e. 6 September 2000, should be directly deducted from shareholders' equity starting from 2001. Accordingly, approximately Rmb258,881,000 which represented the deferred housing benefits balance in relation to staff quarters sold and the sale approved by the government before September 2000 has been directly deducted from the statutory public welfare fund under PRC accounting standards and regulations ("PRC GAAP"). In 2005, approximately Rmb95,700,000 which represented the monetary subsidies paid to the employees who started work before 31 December 1998, has also been directly deducted from the statutory public welfare fund under PRC GAAP.

For financial statements prepared in accordance with IFRS, the deferred housing benefits are amortised over the estimated average service lives of the relevant employees (Note 10). To reflect the reduction of the statutory public welfare fund, an amount equivalent to the corresponding deferred housing benefits balance was transferred from statutory public welfare fund to a restricted reserve specifically set up for this purpose. Upon amortisation of the deferred housing benefits, an amount equivalent to the amortisation for the period is transferred from the restricted reserve to retained earnings. For the year ended 31 December 2005, approximately Rmb 51,631,000 (2004 – Rmb32,360,000) had been transferred out from this restricted reserve into retained earnings,

(f) Other reserve

Other reserve comprised of the value of the equity conversion component of the convertible bonds issued on 9 September 2003 (Note 19), net of deferred income tax. The value of the equity component was determined on the issue of the bonds and does not change in subsequent periods.

(g) Basis for profit appropriations

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

In addition, in accordance with the Company's articles of association, the Company declares dividends based on the lower of retained earnings as reported in accordance with PRC GAAP and those reported in accordance with IFRS after deducting current year's appropriations to other reserves. As at 31 December 2005, the amount of retained earnings as determined under IFRS was less than that determined under PRC GAAP by approximately Rmb10 million (2004 – Rmb74 million).

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

16. Reserves (Cont'd)

(g) Basis for profit appropriations (cont'd)

The profit attributable to shareholders for the year ended 31 December 2005 includes a profit of approximately Rmb2,357,547,000 (2004 – Rmb2,292,584,000) that has been dealt with in the accounts of the Company.

17. Long-term Loans

Long-term loans include the long-term bank loans and other long-term loans as follows:

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Long-term bank loans (a)	**30,012,563**	17,361,017	**5,645,000**	2,215,000
Other long-term loans (b)	**1,691,538**	1,694,920	**–**	–
	31,704,101	19,055,937	**5,645,000**	2,215,000
Less: Amounts due within one year included under current liabilities	**(2,488,884)**	(1,106,875)	**(614,000)**	(200,000)
	29,215,217	17,949,062	**5,031,000**	2,015,000

(a) Long-term bank loans

As at 31 December 2005, approximately Rmb2,159 million (31 December 2004 – Rmb2,198 million) and Rmb27,854 million (31 December 2004 – Rmb15,163 million) of the long-term bank loans were denominated in USD and Rmb, respectively. Except for approximately Rmb13,044 million (31 December 2004 – Rmb2,933 million) long-term bank loans were pledged by right of collection of tariff, all long-term bank loans were unsecured and bore interest at rates ranging from 3.60% to 6.12% (31 December 2004 – 2.88% to 6.12%) per annum. Approximately Rmb445 million (31 December 2004 – Rmb1,415 million) of the Company's bank loans were guaranteed by NCG (Note 27(i)). Approximately Rmb3,792 million (31 December 2004 – Rmb4,121 million) of the loans of the subsidiaries were guaranteed by the minority shareholders according to their shareholding percentage in the subsidiaries.

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

17. Long-term Loans (Cont'd)

(a) Long-term bank loans (Cont'd)

The long-term bank loans were drawn to finance the construction of electricity utility plants. The maturity of these loans was as follows:

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Amount repayable				
Within one year	**2,384,860**	1,006,180	**614,000**	200,000
Between one and two years	**3,394,798**	1,829,213	**659,000**	300,000
Between two and five years	**9,715,003**	7,022,151	**1,817,000**	1,115,000
Over five years	**14,517,902**	7,503,473	**2,555,000**	600,000
	30,012,563	17,361,017	**5,645,000**	2,215,000

(b) Other long-term loans

Other long-term loans were borrowed by MOF from International Bank for Reconstruction and Development ("World Bank") and on-lent to the Company's subsidiary, Tuoketuo Power Company, for the construction of electricity utility plants. The maturity of these loans was as follows:

	Company and its Subsidiaries	
	2005	2004
Amount repayable		
Within one year	**104,024**	100,695
Between one and two years	**110,236**	106,679
Between two and five years	**371,731**	359,794
Over five years	**1,105,547**	1,127,752
	1,691,538	1,694,920

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

17. Long-term Loans (Cont'd)

(b) Other long-term loans (Cont'd)

All these loans were denominated in USD and unsecured. The other long-term loans bore interest at the rate of LIBOR Base Rate plus LIBOR Total Spread as defined in the loan agreement between MOF and World Bank, which approximated 2.03% to 3.99% per annum during the year ended 31 December 2005 (2004 – 1.36% to 2.03% per annum). In accordance with a guarantee agreement between NCG and MOF, NCG agreed to guarantee 60% of the loan balances (Note 27(i)). As at 31 December 2005, approximately Rmb1,015 million (31 December 2004 – Rmb1,017 million) of the loans were guaranteed by NCG, while the Company provided a counter-guarantee to NCG in respect of this amount.

18. Short-term Loans

Short-term loans, as summarised below, were drawn by the Company and its Subsidiaries for the construction of electricity utility plants:

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Short-term bank loans	**5,530,280**	5,875,560	**2,000,000**	900,000
Short-term loan payables to Datang Finance/ NCPG Finance	**187,000**	104,000	**–**	–
	5,717,280	5,979,560	**2,000,000**	900,000

As at 31 December 2005, all short-term loans were denominated in Rmb, unsecured and bore interest at rates ranging from 4.52% to 5.84% (31 December 2004 – 4.54% to 5.84%) per annum. Approximately Rmb56 million (31 December 2004 – Rmb1,639 million) of short-term loans were guaranteed by the minority shareholders according to their shareholding percentage in the subsidiaries.

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

19. Convertible Bonds

On 9 September 2003, the Company issued USD153,800,000, 0.75% convertible bond at a nominal value of USD153,800,000. The bonds will be matured in 5 years from the issue date at their nominal value of USD153,800,000 unless converted into the Company's ordinary shares at the holder's option at the announced conversion price, which initially was HKD5.558 per share. On 20 May 2005, the Company adjusted the conversion price to HKD5.4 per share. The conversion price is subject to adjustment in certain circumstances with a fixed rate of exchange applicable on conversion of the convertible bonds of HKD7.799 per USD1.

The fair value of the liability component and the equity conversion component were determined on the issue of the bonds. The fair value of the liability component was calculated using a market interest rate for equivalent non-convertible bonds. The residual amount, representing the value of the equity conversion component, is included in equity in other reserve, net of deferred income tax.

In subsequent periods the liability component continues to be presented on the amortised cost basis, until extinguished on conversion or maturity of the bond. The equity component is determined on the issue of the bond and is not changed in subsequent periods.

The convertible bonds recognised in the balance sheet as at 31 December 2005 were as follows:

	Company and its Subsidiaries	
	2005	2004
Liability component at beginning of the year	**1,078,027**	1,031,722
Interest expense	**57,671**	55,852
Interest payment	**(9,443)**	(9,547)
Exchange rate adjustment	**(27,497)**	–
Liability component at end of the year	**1,098,758**	1,078,027

The carrying amount of the liability component as at 31 December 2005 of the convertible bonds approximated its fair value.

Interest expense on the bonds is calculated on the effective yield basis of 5.51% (2004 – 5.51%) by applying the effective interest rate for an equivalent non-convertible bond to the liability component of the convertible bond after considering the effect of issue cost.

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

20. Government Grants

The Company and its Subsidiaries received government grants from local environmental protection authorities for undertaking approved environmental protection projects. The Company and its Subsidiaries have recognised Rmb6,606,000 of deferred income from government grants during the year, as the project related to the government grants has been completed. Amortisation of the grants commenced from December 2005.

21. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities comprised:

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Construction costs and deposits payable to contractors	**3,231,715**	2,290,647	**1,083,040**	315,147
Fuel and material costs payable	**927,648**	678,689	**511,109**	334,142
Salary and welfare payable	**93,669**	148,090	**79,950**	135,525
Interest rate swap liability	**69,079**	119,885	**–**	–
Others	**236,445**	218,381	**111,045**	123,917
	4,558,556	3,455,692	**1,785,144**	908,731

As at 31 December 2005, other than certain deposits for construction which were aged between one and two years, substantially all accounts payable were aged within one year.

As at 31 December 2005, the notional principal amount of the outstanding interest rate swap contract of Tuoketuo Power Company was USD219,675,000 (31 December 2004 – USD213,911,000) , and the fixed rate and floating rate were 5.15% (31 December 2004 – 5.15%) and 3.82% (31 December 2004 – 1.86%) (LIBOR offered by British Bankers' Association on 13 July 2005), respectively.

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

22. Retirement and Staff Housing Benefits

Retirement benefits

The Company and its Subsidiaries are required to make specific contributions to the state-sponsored retirement plan at a rate of 20% (2004 – 19% to 20%) of the specified salaries of the PRC employees. The PRC government is responsible for the pension liability to the retired employees. The employees of the Company and its Subsidiaries are entitled to a monthly pension at their retirement dates.

In addition, the Company and its Subsidiaries have implemented a supplementary defined contribution retirement scheme. Under this scheme, the employees of the Company and its Subsidiaries have to make a specified contribution based on the number of working years of the employees. The Company and its Subsidiaries are required to make a contribution equal to 2 times of the staff's contributions. Moreover, the Company and its Subsidiaries may, at their discretion, provide additional contributions to the retirement fund depending on the operating results of the year. The employees will receive the total contributions, and any returns thereon, upon retirement.

The total retirement cost incurred by the Company and its Subsidiaries during the year ended 31 December 2005 pursuant to these arrangements amounted to approximately Rmb130,315,000 (2004 – Rmb131,374,000).

Housing benefits

Apart from the housing benefits and monetary subsidies (Note 10), in accordance with the PRC housing reform regulations, the Company and its Subsidiaries are required to make contributions to the state-sponsored housing fund at rate ranging from 10% to 20% (2004 – 10% to 18%) of the specified salary amount of the PRC employees. At the same time, the employees are required to make a contribution equal to the Company and its Subsidiaries' contributions out of their salary. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Company and its Subsidiaries have no further obligations for housing benefits beyond the above contributions made. For the year ended 31 December 2005, the Company and its Subsidiaries provided approximately Rmb74,696,000 (2004 – Rmb51,667,000) to the fund.

23. Operating Revenue

	Company and its Subsidiaries	
	2005	2004
Electricity	**17,892,564**	13,555,492
Heat	**101,825**	28,247
	17,994,389	13,583,739

Pursuant to the Power Purchase Agreements entered into between the Company and its Subsidiaries and the regional or provincial grid companies, the Company and its Subsidiaries are required to sell their entire net generation of electricity to these grid companies at an approved tariff rate as determined based on a regulatory process. For the year ended 31 December 2005, all of the electricity generated by the Company and its Subsidiaries was sold to NCG and its subsidiaries.

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

24. Operating Profit

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

	2005	2004
Loss on disposals of property, plant and equipment	**39,177**	33,912
Amortisation of goodwill	**–**	5,592
Personnel expenses		
– Wages	**716,376**	461,581
– Retirement benefits	**126,456**	129,763
– Staff housing benefits	**128,271**	87,903
– Other staff costs	**221,582**	194,133
Depreciation	**2,787,631**	2,099,835
– Capitalised as construction-in-progress	**13,534**	7,205
– Included as operating expenses	**2,767,528**	2,086,882
– Included as other operating expenses	**6,569**	5,748
Auditors' remuneration	**6,000**	5,500
Cost of inventories		
– Fuel	**7,531,789**	4,951,410
– Spare parts and consumable supplies	**120,569**	79,549
Operating lease		
– Buildings	**17,597**	14,622
Dividend income	**(45,298)**	(18,783)
Donation	**66,000**	–
Gain on disposal of available-for-sale investment	**(36,285)**	(433)

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

25. Finance Costs

	2005	2004
Interest expense on:		
Short-term bank loans	**398,236**	189,033
Short-term loans payable to Datang Finance/NCPG Finance	**34,773**	70,469
Long-term bank loans		
– wholly repayable within five years	**167,353**	168,509
– repayable beyond five years	**900,891**	500,383
Other long-term loans		
– repayable beyond five years	**125,529**	29,260
Convertible bonds	**57,671**	55,852
	1,684,453	1,013,506
Less: amount capitalised in property, plant and equipment	**(893,358)**	(522,252)
	791,095	491,254
Exchange (gain) / loss, net	**(97,285)**	1,562
Fair value gain on an interest rate swap *	**(18,316)**	(14,061)
	675,494	478,755

* To hedge against its interest rate risk on long-term loans, Tuoketuo Power Company has entered into an interest rate swap, which is carried at fair value. However, since the swap does not meet the definitions of an effective hedge under IAS 39, the change in its fair value is included in the income statement.

26. Taxation

	2005	2004
Current tax	**859,880**	914,994
Deferred tax	**(46,586)**	4,818
Tax charge	**813,294**	919,812

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

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

26. Taxation (Cont'd)

Pursuant to document Guo Ban Fa [2001] 73 issued by State Council of PRC and document Cai Shui [2001] 202 issued by the State Administration of Taxation of PRC, Tuoketuo Power Company and Liancheng Power Company, as enterprises set up in the western area of PRC and engaged in a business encouraged by the government, have been granted a tax concession to pay PRC income tax at a preferential rate of 15% from 2001 to 2010. As newly set up domestic invested enterprises engaged in power generation in the western area of PRC, Tuoketuo Power Company and Liancheng Power Company are exempted from PRC enterprise income tax during the first and second years of operation and have been granted a tax concession to pay PRC enterprise income tax at 50% of the preferential rate during the third to fifth year of operation. Tuoketuo Power Company started commercial operation in 2003. The applicable PRC enterprise income tax rates approved by the local tax authority in 2004 and 2005 are 0%. Liancheng Power Company started commercial operation in 2005. The applicable PRC enterprise income tax rate approved by the local tax authority in 2005 is 0%.

Pursuant to document Ji Zheng Han [2003] 126 issued by People's Government of Hebei Province and document Ji Guo Shui Fa [2003] 179 issued by State Administration of Taxation of Hebei Province, Huaze Hydropower Company, as an enterprise set up in the autonomous county started from 1 January 2003, is exempted from PRC enterprise income tax during the first to third year from the first tax profit year and has been granted a tax concession to pay PRC enterprise income tax at 50% of the tax rate during the fourth to sixth year. Huaze Hydropower Company has the tax profit since the year 2003. The applicable PRC enterprise income tax rates approved by the local tax authority in 2004 and 2005 are 0%.

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

	2005	2004
Profit before taxation	**3,862,924**	3,663,352
Tax computed at the statutory tax rate of 33%	**1,274,765**	1,208,906
Add: Tax effect of non-tax deductible items	**11,832**	12,935
Less: Preferential tax rate impact on the income of subsidiaries	**(473,303)**	(302,029)
Tax charge	**813,294**	919,812

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

26. Taxation (Cont'd)

(b) The movement in deferred tax assets during the year is as follows:

Company and its Subsidiaries

	2005					2004
	Preliminary expenses	Depreciation	Fair value loss of an interest rate swap	Deductible operating loss	Total	Total
Beginning of year	26,743	18,203	24,668	5,933	75,547	49,842
Credited/(Charged) to net profit	31,693	16,932	(2,891)	(1,978)	43,756	25,705
End of year	58,436	35,135	21,777	3,955	119,303	75,547

Company

	2005	2004
Preliminary expenses		
Beginning of year	4,859	–
Credited to net profit	14,745	4,859
End of year	19,604	4,859

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

26. Taxation (Cont'd)

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

Company and its Subsidiaries

	2005				2004
	Deferred housing benefits	**Capitalised borrowing costs**	**Convertible bond**	**Total**	Total
Beginning of year	**5,472**	**84,554**	**65,302**	**155,328**	124,805
(Credited)/Charged to net profit	**(1,368)**	**15,878**	**(17,340)**	**(2,830)**	30,523
End of year	**4,104**	**100,432**	**47,962**	**152,498**	155,328

Company

	2005				2004
	Deferred housing benefits	**Capitalised borrowing costs**	**Convertible bond**	**Total**	Total
Beginning of year	**5,472**	**47,403**	**65,302**	**118,177**	87,423
(Credited)/Charged to net profit	**(1,368)**	**18,844**	**(17,340)**	**136**	30,754
End of year	**4,104**	**66,247**	**47,962**	**118,313**	118,177

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

26. Taxation (Cont'd)

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

	2005	2004
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	**66,537**	69,707
– Deferred tax assets to be recovered within 12 months	**52,766**	5,840
	119,303	75,547
Deferred tax liabilities:		
– Deferred tax liabilities to be settled after more than 12 months	**126,824**	136,165
– Deferred tax liabilities to be settled within 12 months	**25,674**	19,163
	152,498	155,328

27. Related Party Transactions

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

Name of related parties	**Nature of relationship**
Related parties in which the Company has no equity interest	
China Datang	Substantial Shareholder
Tianjin Jinneng Investment Company	Shareholder
Beijing Energy Investment Company	Shareholder
Hebei Construction Investment Company	Shareholder
Other State-owned Enterprises	Related parties of the Company

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

27. Related Party Transactions (Cont'd)

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

Name of related parties	Nature of relationship
Related party in which the Company has equity interest	
NCEPR	Associate
Datang Texin	Associate
Pengshui Hydropower Company	Associate
Daba Power Company	Associate
Tashan Coal Mine	Associate
Datang Finance	Associate

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

	Note	**2005**	2004
Ash disposal fee to China Datang	(a)	**57,892**	57,892
Rental fee to China Datang	(b)	**7,228**	7,228
Technical supervision, assistance and testing service fee to NCEPR	(c)	**49,174**	54,212
Heat revenue from Datang Texin	(d)	**34,833**	14,921
Fuel management fee to China Datang	(e)	**5,229**	6,268
Sales of a project to China Datang	(f)	**210,615**	–
Acquisition of Tangshan Power Plant from China Datang	(g)	**157,000**	–
Interest expense to Datang Finance	(h)	**263**	–

(a) The ash disposal fee was determined based on ash disposal operating costs, taxes, depreciation of ash yards and a profit margin at 5% to 10% of the total costs incurred by China Datang.

(b) The Company has leased buildings of 141,671 (2004 – 141,671) square metres from China Datang for an annual rental rate of approximately Rmb7 million in 2005 (2004 – Rmb7 million).

(c) NCEPR provides technical supervision, assistance and testing services to the Company and its Subsidiaries in relation to the power generation equipment and facilities. Pursuant to the Technical Supervision Services Contract, such services are charged at a pre-determined rate based on the installed capacity of the Company and its Subsidiaries.

27. Related Party Transactions (Cont'd)

(ii) The following is a summary of the major related party transactions undertaken by the Company and its Subsidiaries during the year. (cont'd)

(d) Part of the Company's sales of heat for the year was made to Datang Texin. As at 31 December 2005, the balance due from Datang Texin amounted to Rmb10,117,000 (31 December 2004 – 4,528,000), and was unsecured, non-interest bearing and included in accounts receivable.

(e) In 2005, China Datang provided fuel management and developing services to the Company. These services were charged at Rmb0.30 (2004 – 0.50) per ton of coal purchased. As at 31 December 2005, no balance due to China (31 December 2004 – 6,268,000), and was included in other payables.

(f) Based on the agreement signed with China Datang on 24 August 2005, the Company transferred an office project to China Datang. The transfer price was approximately Rmb210,615,000, which represented the costs incurred by the Company in this project.

(g) In 2004, Tangshan Thermal Power Company, a subsidiary of the Company and China Datang entered into an agreement under which Tangshan Thermal Power Company agreed to acquire the net assets of Tangshan Power Plant from China Datang. After obtaining all necessary government approvals on the transaction and the payment of the consideration of Rmb157 million, the above acquisition became effective on 20 June 2005.

(h) As discussed in Note 18, as at 31 December 2005, the Company and its Subsidiaries had a loan payable to Datang Finance totalling approximately Rmb187 million (31 December 2004 – nil).

(i) As discussed in Notes 17 and 18 above, NCG and the minority shareholders of the Company's subsidiaries had provided guarantees for the Company and its subsidiaries' loans totalling approximately Rmb5,308 million as at 31 December 2005 (31 December 2004 – Rmb8,192 million). Pursuant to the Entities Transfer Agreement, China Datang will assume all of NCG's obligations in relation to the guarantees provided for by the Company and its Subsidiaries. The legal procedures of this arrangement were still in process as at 31 December 2005.

(j) As at 31 December 2005, the Company had provided guarantees for loans to its associates, Datang Texin, Pengshui Hydropower Company, Daba Power Company and Tashan Coal Mine, according to the Company's shareholding percentage in its associates totalling approximately Rmb905 million (31 December 2004 – Rmb1,115 million).

(k) In addition to the transactions identified above, there are other related companies owned/managed by certain management personnel of the Company and its Subsidiaries, which provided property management, cleaning, transportation, and other services of approximately Rmb34,497,000 (2004 – Rmb35,307,000) to the Company and its Subsidiaries.

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

27. Related Party Transactions (Cont'd)

(ii) The following is a summary of the major related party transactions undertaken by the Company and its Subsidiaries during the year. (cont'd)

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

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

	2005	2004
Transactions with other state-controlled entities		
Sales of electricity	**17,892,564**	13,555,492
Sales of heat	**101,825**	28,247
Interest income from state-owned banks/non-bank financial institution	**40,051**	46,970
Interest expenses on loans borrowed from state-owned banks/non-bank financial institution	**1,626,519**	957,654
Purchase of property, plant and equipment (including construction-in-progress)	**14,004,560**	10,619,869
Purchases of fuel	**5,962,917**	3,730,108
Purchase of spare parts and consumable supplies	**497,662**	331,856
Drawdown of short-term loans from state-owned banks/non-bank financial institution	**13,969,896**	13,930,630
Repayment of short-term loans from state-owned banks/non-bank financial institution	**14,419,176**	10,811,904
Drawdown of long-term loans borrowed from state-owned banks/non-bank financial institution	**16,813,938**	8,914,847
Repayment of long-term loans borrowed from state-owned banks/non-bank financial institution	**4,162,392**	978,148
Other charges		
– Repair and maintenance services	**93,100**	84,320
– Transportation expenses	**900,837**	984,294

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

27. Related Party Transactions (Cont'd)

(ii) The following is a summary of the major related party transactions undertaken by the Company and its Subsidiaries during the year. (cont'd)

	2005		2004	
	Company and its Subsidiaries	**Company**	Company and its Subsidiaries	Company
Assets and liabilities with other state-controlled entities				
Short-term bank deposits and cash at bank in state-owned banks/non-bank financial institution	**1,029,339**	**782,437**	3,672,428	2,143,645
Prepayment for purchase of property, plant and equipment	**53,103**	**47,690**	38,632	18,160
Accounts payable for purchase of fuel	**670,281**	**383,507**	581,956	324,409
Accounts payable for purchase of spare parts and consumable supplies	**190,997**	**81,350**	105,681	37,983
Accounts payable for purchase of property, plant and equipment	**581,653**	**417,667**	95,397	17,665
Balance of short-term loans borrowed from state-owned banks/non-bank financial institution	**5,530,280**	**2,000,000**	5,979,560	900,000
Balance of long-term loans borrowed from state-owned banks/non-bank financial institution (including current portion)	**30,012,563**	**5,645,000**	17,361,017	2,215,000

	2005	2004
Guaranteed loans		
Loans guaranteed by		
– NCG	**1,459,923**	2,431,952
– Minority shareholders of subsidiaries	**3,848,190**	5,760,260

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

27. Related Party Transactions (Cont'd)

(iii) Key Management Compensation

	2005	2004
Basic salaries and allowances	**869**	583
Bonus	**1,678**	1,109
Retirement benefits	**259**	404
Other benefits	**875**	411

28. Directors', Senior Managements' and Supervisors' Emoluments

(a) Details of directors' and supervisors' emoluments

The remuneration of every Director and Supervisor for the year ended 31 December 2005 is set out below:

Directors and Supervisors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits	Others	Total
Zhang Yi	–	190	345	54	207	796
Yang Hongming	–	174	329	52	190	745
Zhang Jie	–	174	329	52	173	728
Shi Xiaofan	–	154	295	51	151	651
	–	692	1,298	209	721	2,920

The remuneration of every Director and Supervisor for the year ended 31 December 2004 is set out below:

Directors and Supervisors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits	Others	Total
Zhang Yi	–	179	171	122	179	651
Yang Hongming	–	161	156	111	150	578
Zhang Jie	–	148	167	87	28	430
Shi Xiaofan	–	146	160	84	149	539
	–	634	654	404	506	2,198

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

28. Directors', Senior Managements' and Supervisors' Emoluments (Cont'd)

(a) Details of directors' and supervisors' emoluments (cont'd)

Except for the above directors and supervisors, no other directors or supervisors received any emoluments, in any form, from the Company during the year ended 31 December 2005 and 2004.

There is no special bonus for directors and supervisors during the year ended 31 December 2005 (2004 – nil).

No director or supervisor had waived or agreed to waive any emoluments during the year ended 31 December 2005 (2004 – nil).

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

The five individuals whose emoluments were the highest for the year include two (2004: two) directors. The emoluments of the five individuals whose emoluments were the highest are as followings:

	2005	2004
Basic salaries and allowances	**886**	807
Bonus	**1,662**	835
Retirement benefits	**261**	502
Other benefits	**1,110**	407

For the year ended 31 December 2005 and 2004, no emoluments were paid to directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

For the year ended 31 December 2005 and 2004, the annual emoluments paid to each of the directors, supervisors and the five highest paid individuals did not exceed Rmb1,040,000 (equivalent to HK$1,000,000).

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

29. Dividends

On 27 March 2006, the Board of Directors proposed a dividend of Rmb0.228 per share, totalling approximately Rmb1,177,130,000 for the year ended 31 December 2005. The proposed dividends distribution is subject to the shareholders' approval in their next general meeting.

On 28 March 2005, the Board of Directors proposed a dividend of Rmb0.22 per share, totalling approximately Rmb1,135,827,000 for the year ended 31 December 2004. The proposed dividends distribution was approved by the shareholders in their general meeting date 21 June 2005.

30. Earnings Per Share and Dividend Per Share

The calculation of basic earnings per share for the year ended 31 December 2005 was based on the profit attributable to equity holders of the Company of approximately Rmb2,351,056,000 (2004 – Rmb2,292,584,000) and on the weighted average number of 5,162,849,000 shares (2004 – 5,162,849,000 shares) in issue during the year.

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

	2005	2004
Profit attributable to equity holders of Company (Rmb '000)	**2,351,056**	2,292,584
Interest expense on convertible bonds (net of tax) (Rmb '000)	**38,639**	37,421
Profit used to determine diluted earnings per share (Rmb '000)	**2,389,695**	2,330,005
Weighted average number of ordinary shares in issue (shares in thousand)	**5,162,849**	5,162,849
Adjustments for assumed conversion of convertible debt (shares in thousand) *	**222,127**	215,813
Weighted average number of ordinary shares for diluted earnings per share (shares in thousand)	**5,384,976**	5,378,662
Diluted earnings per share (Rmb)*	**0.44**	0.43

* On 20 May 2005, the Company adjusted the conversion price from HKD5.558 per share to HKD5.4 per share. According to the adjusted conversion price, the adjustment for assumed conversion of convertible debt in 2004 would be 222,127,000, and the diluted earnings in 2004 would be Rmb0.43 per share.

Proposed dividends per share for the year ended 31 December 2005 were calculated based on the proposed dividends of approximately Rmb1,177,130,000 (2004 – Rmb1,135,827,000) divided by the number of 5,162,849,000 shares (2004 – 5,162,849,000 shares) in issue as at 31 December 2005.

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

31. Notes to Statement of Cash Flows

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

	2005	2004
Profit before taxation	**3,862,924**	3,663,352
Adjustments for:		
Depreciation of property, plant and equipment	**2,774,097**	2,092,630
Fair value gain on an interest rate swap	**(18,316)**	(14,061)
Amortisation of goodwill	**–**	5,592
Amortisation of staff housing benefits	**56,618**	37,347
Loss on disposals of property, plant and equipment	**39,177**	33,912
Gain on disposals of available-for-sale investments	**(36,285)**	(433)
Interest income	**(40,051)**	(46,970)
Interest expenses	**791,095**	491,254
Exchange gain	**(97,285)**	–
Dividend income	**(45,298)**	(18,783)
Share of loss from associates	**1,273**	3,697
Operating profit before working capital changes	**7,287,949**	6,247,537
Increase in current assets:		
Inventories	**(302,052)**	(99,780)
Other receivables and current assets	**(73,364)**	(88,573)
Accounts receivable	**(93,910)**	(254,061)
Notes receivable	**(64,829)**	–
Increase/(decrease) in current liabilities:		
Accounts payable and accrued liabilities	**267,538**	250,458
Taxes payable	**(230,892)**	41,737
Cash provided by operations	**6,790,440**	6,097,318

(b) Significant non-cash transactions

The Company and its Subsidiaries incurred additional payables of approximately Rmb941 million (2004 – Rmb792 million) to contractors and equipment suppliers for construction-in-progress during the year ended 31 December 2005.

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

31. Notes to Statement of Cash Flows (Cont'd)

(c) Undrawn borrowing facilities

The undrawn borrowing facilities in Rmb and USD available to settle the Company's capital commitments for investments in subsidiaries and associates and construction of electricity utility plants as at 31 December 2005 were as follows.

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Expiring within one year	**30,792,800**	29,286,260	**30,779,800**	28,986,260
Expiring beyond one year	**32,340,070**	35,432,164	**32,340,070**	35,132,164
	63,132,870	64,718,424	**63,119,870**	64,118,424

32. Commitments

(a) Capital commitments

As at 31 December 2005, the Company had capital commitments related to investments in subsidiaries and associates amounted to Rmb7,084 million (31 December 2004 – Rmb8,908 million). In addition, capital commitments of the Company and its Subsidiaries in relation to the construction and renovation of the electricity utility plants not provided for in the balance sheets were as follows:

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Authorised and contracted for	**22,229,222**	17,142,577	**4,503,082**	1,743,275
Authorised but not contracted for	**6,796,540**	9,216,942	**1,361,598**	–
	29,025,762	26,359,519	**5,864,680**	1,743,275

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

32. Commitments (Cont'd)

(b) Operating lease commitments

Operating lease commitments extending to November 2016 in relation to buildings were as follows:

	Company and its Subsidiaries	
	2005	2004
Amount repayable		
Within one year	**13,505**	9,599
Between one to five years	**32,012**	28,868
Over five years	**43,302**	50,519
	88,819	88,986

33. Contingent Liabilities

	Company and its Subsidiaries		Company	
	2005	2004	**2005**	2004
Guarantee for loan facilities				
– granted to associates	**905,350**	1,115,200	**905,350**	1,115,200
– granted to joint venture	**–**	–	**65,000**	–
– granted to subsidiaries	**–**	–	**7,352,953**	10,775,946
	905,350	1,115,200	**8,323,303**	11,891,146

Based on historical experience, no claims have been made against the Company and its Subsidiaries since the dates of granting the financial guarantees described above.

34. Subsequent Event

On 8 January 2006, the Company entered into the Investment Agreement with Hebei Construction Investment Company for the purpose of constructing and operating the Wangtan Power Plant Project by establishing Hebei Datang International Wangtan Power Co., Ltd. (the "Wangtan Power Company"). The estimated registered capital of Wangtan Power Company is approximately Rmb1,188,000,000. The Company holds a 70% interest in Wangtan Power Company. As at December 2005, no investment has been made by the Company in this investee. As at the reporting date, the Company has invested Rmb 315,000,000 in Wangtan Power Company.

On 25 January 2006, the Company entered into an Investment Agreement with Guangdong Nuclear Power Investment Company Limited for the purposes of constructing and operating the Ningde Nuclear Power Company Project by establishing Ningde Nuclear Power Company Limited (the "Ningde Nuclear Power Company"). The estimated initial registered capital of Ningde Nuclear Power Company is approximately Rmb200,000,000. The Company holds a 49% interest in Ningde Nuclear Power Company. As at December 2005, no investment has been made by the Company in this investee. As at the reporting date, the Company had invested Rmb 98,000,000 in Ningde Nuclear Power Company.

35. Additional Financial Information

As at 31 December 2005, net current liabilities and total assets less current liabilities of the Company and its Subsidiaries amounted to approximately Rmb9,440 million (31 December 2004 – Rmb5,414 million) and Rmb51,406 million (31 December 2004 – Rmb38,431 million), respectively.

36. Prior Year Comparatives

Certain comparative figures of 2004 have been reclassified to conform to the presentation of financial statements for the year ended 31 December 2005.

In 2005, the Company and its Subsidiaries adopted the revised / new standards and interpretations of IFRS (Note 2(a)), which are relevant to its operations. The 2004 comparatives have been amended as required, in accordance with the relevant requirements.