



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

(Stock Code: 991)

# *Diversifying* *with a Vision*

Interim Report 2006



Nuclear



Thermal



Hydropower



Wind

## **Diversifying with a Vision.**

In recent years, the business development of Datang Power has gradually expanded across different regions in China. Building large-scale coal-fired power plants along the Southeastern coast and developing hydropower projects in the Southwestern region, the Company has been mapping out a strategic deployment of its power generation sources. On this basis, Datang Power further achieved material breakthroughs in the development of renewable and environmentally-friendly energy such as nuclear and wind power generation in the first half of 2006. As such, its business is now moving towards a balanced deployment of a core of coal-fired power generation supplemented with hydropower, nuclear power and wind power.

Thanks to the vision in starting its strategic deployment several years ago, Datang Power today commands an advantageous position vis-a-vis its peers on its diversification endeavours. The Company will continue to enhance its integral capabilities and provide safe and high-quality electricity to the society.

# Contents

---

- 2 Interim Results
- 3 Management Discussion and Analysis
- 11 Share Capital and Dividends
- 13 Purchase, Sale and Redemption of the Company's Listed Securities
- 14 Significant Events
- 15 Compliance with the Code on Corporate Governance Practices
- 16 Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers
- 17 Audit Committee
- 18 Condensed Consolidated Interim Balance Sheet (Unaudited)
- 20 Condensed Consolidated Interim Income Statement (Unaudited)
- 21 Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)
- 22 Condensed Consolidated Interim Cash Flow Statement (Unaudited)
- 23 Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

## Interim Results

---

### Operating highlights

- Consolidated operating revenue amounted to approximately RMB10,829 million, representing an increase of 26.08% as compared to the corresponding period of the previous year.
- Consolidated profit attributable to the equity holders of the Company amounted to approximately RMB1,274 million, representing an increase of 13.86% as compared to the corresponding period of the previous year.
- Basic earnings per share attributable to the equity holders of the Company amounted to approximately RMB0.25, representing an increase of approximately RMB0.03 per share as compared to the corresponding period of the previous year.

The board of directors (the “Board”) of Datang International Power Generation Co., Ltd. (the “Company”) hereby announces the unaudited consolidated operating results of the Company and its subsidiaries and a jointly controlled entity (hereinafter referred to as the “Company and its Subsidiaries”) prepared in conformity with the International Financial Reporting Standards (“IFRS”) for the six months ended 30 June 2006 (the “Period”), together with the unaudited consolidated operating results of the corresponding period of the previous year for comparison. Such operating results have been reviewed and confirmed by the audit committee of the Company (the “Audit Committee”).

Consolidated operating revenue of the Company and its Subsidiaries for the Period was approximately RMB10,829 million, representing an increase of approximately 26.08% as compared to the corresponding period of the previous year. Consolidated profit attributable to the equity holders of the Company for the Period was approximately RMB1,274 million, representing an increase of approximately 13.86% as compared to the corresponding period of the previous year. Basic earnings per share attributable to the equity holders of the Company for the Period was approximately RMB0.25, representing an increase of approximately RMB0.03 per share as compared to the corresponding period of the previous year.

# Management Discussion and Analysis

---

During the Period, the Company and its Subsidiaries are principally engaged in the development, construction and operation of power plants and sale of electricity and thermal power.

As at 30 June 2006, the Company and its Subsidiaries had a total of 16 operating power plants, with total capacity in operation amounting to 15,410MW and total assets amounting to approximately RMB73,486 million.

## 1. Production and environmental protection

During the Period, total power generation of the Company and its Subsidiaries amounted to 41.345 billion kWh, representing an increase of 18.58% as compared to the corresponding period of the previous year. Total on-grid electricity amounted to 38.893 billion kWh, an increase of 18.42% over the corresponding period of the previous year. The increase in power generation and on-grid electricity was not only attributable to the continued growth of the national economy and power demand in the People's Republic of China (the "PRC"), but also due to the increase in the Company and its Subsidiaries' installed capacity and the safe and stable operation of the generation units. During the Period, the Company and its Subsidiaries had a total of 5 hydropower generation units and coal-fired generation units successively put into operation. Taking into account of the generation units which commenced operation during the second half of 2005, the operation capacity of the Company and its Subsidiaries increased by 4,050MW as compared to the corresponding period of the previous year. The equivalent availability factor of generation units reached 92.75%, representing a rise of approximately 1.16 percentage points as compared to the corresponding period of the previous year.

During the Period, the operations of the major power plants of the Company and its Subsidiaries are set out as follows:

<b>No. Name of power plant</b>	<b>Power generation for the first half of 2006</b> (billion kWh)
1. Gao Jing Power Plant	1.712
2. Dou He Power Plant	5.248
3. Zhang Jia Kou Power Plant	7.623
4. Xia Hua Yuan Power Plant	1.324
5. Tianjin Datang International Panshan Power Generation Company Limited (“Panshan Power Company”)	3.545
6. Inner Mongolia Datang International Tuoketuo Power Generation Company Limited (“Tuoketuo Power Company”)	10.596
7. Hebei Datang International Wangtan Power Generation Company Limited (“Wangtan Power Company”)	1.887
8. Wushashan Power Plant	0.804
9. Hebei Datang International Tangshan Thermal Power Company Limited (“Tangshan Thermal Power Company”)	2.322
10. Gansu Datang International Liancheng Power Generation Company Limited (“Liancheng Power Company”)	1.768
11. Shanxi Datang International Yungang Thermal Power Company Limited (“Yungang Thermal Power Company”)	1.406
12. Shanxi Datang International Shentou Power Generation Company Limited (“Shentou Power Company”)	2.621
13. Yunnan Datang International Honghe Power Generation Company Limited (“Honghe Power Company”)	0.099
14. Guangdong Datang International Chaozhou Power Generation Company Limited (“Chaozhou Power Company”)	0.244
15. Hebei Datang International Huaze Hydropower Development Company Limited (“Huaze Hydropower Company”)	0.01
16. Yunnan Datang International Nalan Hydropower Development Company Limited (“Nalan Hydropower Company”)	0.137

---

While endeavouring to increase power generation, the Company also placed strong emphasis on the implementation of environmental protection programmes in accordance with the PRC State's environmental protection requirements. As at 30 June 2006, the Company and its Subsidiaries completed the desulphurisation upgrade projects for generation units totalling approximately 1,650MW. The desulphurisation upgrade projects for generation units totalling approximately 1,600MW, are expected to be completed before the end of this year.

## 2. Operational management

During the Period, the Company and its Subsidiaries achieved consolidated operating revenue of approximately RMB10,829 million, representing an increase of 26.08% as compared to the corresponding period of the previous year, and consolidated profit before taxation was approximately RMB2,220 million, representing an increase of 23.37% as compared to the corresponding period of the previous year. Consolidated profit attributable to the equity holders of the Company amounted to approximately RMB1,274 million, representing an increase of approximately 13.86% as compared to the corresponding period of the previous year.

During the Period, the Company and its Subsidiaries faced an unfavourable operational environment characterised by a decline in utilisation hours for the generation units in the power market, persistent high fuel prices, and continuous rises in charges for environmental protection and water supply. Despite the above unfavourable factors, the Company and its Subsidiaries continued to maintain the profit growth momentum by conscientiously carrying out measures to increase revenues and reduce expenses. Increases in operating revenue and profit were mainly attributable to the following factors: (1) Increase in on-grid electricity: As compared to the corresponding period of the previous year, on-grid electricity rose by about 6.051 billion kWh. (2) Increase in average on-grid tariffs: Average on-grid tariffs (tax inclusive) increased by approximately RMB16.86/MWh as compared to the corresponding period of the previous year. (3) Strengthening of control on fuel costs and endeavour in energy conservation and consumption reduction: During the Period, the Company and its Subsidiaries' fuel consumption for power generation was 345 g/kWh, representing a decrease of 5.57 g/kWh as compared to the corresponding period of the previous year. The magnitude of unit fuel cost increase was controlled at a comparatively low level, with only a rise of RMB2.56/MWh as compared to the corresponding period of the previous year, of which the unit fuel cost of four wholly-owned power plants of the Company was reduced by RMB1.12/MWh as compared to the corresponding period of the previous year.

### 3. Business expansion

During the Period, the construction of the Company and its Subsidiaries' coal-fired and hydropower projects progressed smoothly, with a total capacity of 1,600MW hydropower and coal-fired generation units having successively commenced operation. Meanwhile, the Company continued to actively expand into the realms of renewable or environmentally-friendly energy such as wind power and nuclear power, as well as into power-related upstream and downstream projects such as coal mining and railways.

- (1) Coal-fired projects: During the Period, newly constructed coal-fired generation units of the Company and its Subsidiaries, with a total capacity of approximately 1,500MW successively put into operation. These include Unit 1 (600MW) at Wushashan Power Plant, Unit 1 (600MW) at Chaozhou Power Company and Unit 1 (300MW) at Honghe Power Company. To date, total capacity of coal-fired generation units of the Company and its Subsidiaries having commenced operation reached 15,240MW.

During the Period, after obtaining approvals from the relevant PRC authorities, the construction of 2 x 600MW generation units at Yuncheng Power Company, in which the Company has controlling interests, commenced.

During the Period, the Company entered into an investment agreement with Datong Coal Mine Group Co., Ltd. to invest (with minority interests) in the proposed construction of 2 x 600MW coal-fired generation units.

- (2) Hydropower projects: During the Period, 2 x 50MW hydropower generation units at Nalan Hydropower Company successively put into operation. To date, total capacity of hydropower generation units of the Company and its Subsidiaries having commenced operation reached 170MW.



---

During the Period, the Company entered into an investment agreement with Ganzi Prefecture Gantou Hydropower Development Co., Ltd. to invest (with controlling interests) in the proposed construction of 4 x 650MW hydropower generation units in Sichuan Province.

- (3) Nuclear power projects: During the Period, the Company entered into an investment agreement with Guangdong Nuclear Investment Company Limited, which proposed to participate in the construction of two nuclear power generation units of 1,000MW each. To date, the relevant project company has been established and preliminary work on the nuclear project has commenced.
- (4) Wind power projects: The Board reviewed and approved the Company to construct Bayin Wind Power Plant Phase I in Zhuozi County, Inner Mongolia, a project to be wholly-owned by the Company. The installed capacity of the project is 40MW. Currently, the project has been approved by the Development and Reform Commission of Inner Mongolia and the Company is making preparations for the construction of the project.

#### 4. Financial results and position

##### (1) Operating results

During the Period, the Company and its Subsidiaries achieved consolidated profit before taxation of approximately RMB2,220 million, representing an increase of approximately 23.37% as compared to the corresponding period of the previous year. Profit attributable to the equity holders of the Company was RMB1,274 million, representing an increase of approximately 13.86% as compared to the corresponding period of the previous year. Major factors for the increase or decrease of profits were as follows:

- Power sale revenue was RMB10,755 million, representing an increase of approximately 25.92% as compared to the corresponding period of the previous year, which was mainly attributable to the increases in power generation and tariffs.

- Operating costs increased by 25.17% as compared to the corresponding period of the previous year, which was mainly attributable to increases in depreciation costs, maintenance costs, and material costs brought by the commencement of operation of new generation units during the Period and during the second half of the previous year. Of such increases, fuel costs increased by RMB828 million, representing an increase of approximately 22.19% as compared to the corresponding period of the previous year.
- Net expense of finance costs increased by RMB189 million as compared to the corresponding period of the previous year, which was mainly due to increase in interest expenses of long and short-term loans during the Period.

### (2) Financial position

As at 30 June 2006, total consolidated assets of the Company and its Subsidiaries amounted to approximately RMB73,486 million. Total consolidated liabilities amounted to approximately RMB52,548 million. Minority interests amounted to approximately RMB2,516 million. Total equity attributable to the Company's equity holders amounted to approximately RMB18,422 million. The increase in total assets was mainly resulted from the implementation of the expansion strategy by the Company and its Subsidiaries and the corresponding increase in investments in construction-in-progress.

### (3) Liquidity

As at 30 June 2006, the asset-to-liability ratio (i.e. the ratio between total liabilities and total assets) for the Company and its Subsidiaries was approximately 71.51%. The net debt-to-equity ratio (i.e. (loans + convertible bonds – cash and cash equivalents – bank deposits – marketable securities)/total equity, (excluding minority interests)) was approximately 236.65%.

As at 30 June 2006, total cash and cash equivalents and bank deposits with a maturity of over three months of the Company and its Subsidiaries amounted to approximately RMB1,260 million, of which an amount equivalent to approximately RMB433 million was deposits in foreign currencies. The Company and its Subsidiaries had no entrusted deposits or overdue fixed deposits during the Period.

---

As at 30 June 2006, short-term loans of the Company and its Subsidiaries amounted to approximately RMB8,004 million which bore annual interest rates ranging from 4.70% to 5.43%. Long-term loans (excluding those due within 1 year) amounted to approximately RMB33,580 million and long-term loans due within 1 year amounted to approximately RMB2,160 million, with annual interest rates ranging from 3.60% to 6.12%, of which an amount equivalent to approximately RMB3,573 million was denominated in US dollar. The Company and its Subsidiaries pay regular and active attention to foreign exchange market movements and conscientiously assess foreign currency risks.

As at 30 June 2006, North China Grid Company and some minority shareholders of the Company's subsidiaries provided guarantees for the loans of the Company and its Subsidiaries amounting to approximately RMB4,130 million. The Company had not provided any guarantee in whatever forms for any other companies apart from its subsidiaries, jointly controlled entity and associates.

## 5. Outlook for the second half of 2006

During the second half of this year, the economy and electricity production in the PRC is expected to continue to maintain a relatively fast growth. Implementation of the fuel-tariff pass-through mechanism of the National Development and Reform Commission has already started, enabling further business development and a stable increase in the profitability of the Company and its Subsidiaries. However, the operating results of the Company and its Subsidiaries is expected to be affected by high fuel prices, higher requirements for environmental protection and more new generation units coming on stream which will result in a decline in average utilisation hours of the generation units in operation. As such, the Company and its Subsidiaries will endeavour to strengthen its management, overcome unfavourable factors and implement various measures to increase revenues and reduce expenses and to strive for achieving better economic performance:

- (1) To ensure production safety, striving for more and stable power generation;
- (2) To implement the tariff policy, to appropriately adjust the power generation structure, striving for better generation efficiency;

- (3) To continue the strengthening of fuel management and ensure the quality and supply of coal;
- (4) To implement measures on energy conservation and consumption reduction, strengthening overall cost controls and striving for increase in production and revenue;
- (5) To implement the financing plans of the Company so as to ensure funds for the Company's development; and
- (6) To continue an effective management over project construction to ensure completion of production schedules for the full year.

# Share Capital and Dividends

## 1. Share capital

No new shares were issued by the Company during the Period. As at 30 June 2006, the total share capital of the Company amounted to 5,162,849,000 shares, divided into 5,162,849,000 shares with a nominal value of RMB1.00 each.

## 2. Shareholding of substantial shareholders

As far as the directors of the Company (the "Directors") are aware, as at 30 June 2006, the persons or entities with interests or short positions in the shares or underlying shares of the Company which are required to be disclosed to the Company under section 336 of the Securities and Futures Ordinance (the "SFO") (Chapter 571 of the Laws of Hong Kong) are as follows:

Name of shareholder	Class of shares	No. of shares held	Percentage to	Percentage to	Percentage to
			total issued share capital of the Company (%)	total issued domestic shares (%)	total issued H shares (%)
China Datang Corporation	Domestic shares	1,828,768,200	35.43	49	-
Beijing Energy Investment (Group) Company	Domestic shares	671,792,400	13.01	18	-
Hebei Construction Investment Company	Domestic shares	671,792,400	13.01	18	-
Tianjin Jinneng Investment Company	Domestic shares	559,827,000	10.84	15	-
Templeton Asset Management Limited	H shares	187,280,320(L)	3.63(L)	-	13.09(L)
HSBC Halbis Partners (Hong Kong) Limited	H shares	119,236,000(L)	2.31(L)	-	8.33(L)
JPMorgan Chase & Co.	H shares	100,714,646(L) 70,250,000(P)	1.95(L) 1.36(P)	-	7.04(L) 4.91(P)

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

### 3. Dividends

In accordance with the proposal made at the meeting of the Board held on 27 March 2006 and approved at the annual general meeting of the Company held on 20 June 2006, an annual dividend of RMB0.228 per share for year 2005 was declared, and that the dividends concerned would be distributed to shareholders of the Company whose name appeared on the register of members of the Company on 19 May 2006. The above-mentioned dividends have been distributed before 30 June 2006, among which domestic-share dividends were distributed in and paid by Renminbi while H-share dividends were distributed in Renminbi and paid by Hong Kong dollars.

The Board does not recommend the payment of any interim dividend for year 2006.

### 4. Interests of directors and supervisors in share capital

As at 30 June 2006, none of the Directors, supervisors, chief executive of the Company or their respective associates had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporation (as defined in the SFO) that were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO; or required to be recorded in the register mentioned in the SFO pursuant to section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules of the Stock Exchange (the "Listing Rules").

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

---

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

## Significant Events

---

1. The relevant authorisation given to the Board in respect of the issue of not more than 1 billion A shares of the Company was renewed for one more year at the 2005 annual general meeting, the H shares class meeting and the domestic shares class meeting of the Company, which were held on 20 June 2006.
2. At the 2005 annual general meeting held on 20 June 2006, it was approved by the shareholders for the Company to issue short-term debentures with principal amount of not more than RMB4 billion.



## Compliance with the Code on Corporate Governance Practices

---

To the knowledge of the Board, the Company has complied with all the code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules during the Period.

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

---

The Company has adopted the Model Code of the Listing Rules as code of conduct for securities transactions by all Directors. Upon specific enquiries made to the Directors and in accordance with information provided, the Board confirmed that all Directors have complied with the provisions under the Model Code during the Period.

## Audit Committee

---

In accordance with the Listing Rules, the Company has set up an Audit Committee which comprises three independent non-executive directors and two non-executive directors of the Company. The Audit Committee is responsible for reviewing the Company's financial reporting procedures and internal controls.

The Audit Committee has reviewed with the management of the Company the accounting principles and methods adopted by the Company and its Subsidiaries. It has also discussed matters regarding internal controls and the interim financial statements, including the review of the financial statements for the six months ended 30 June 2006.

The Audit Committee considers that the 2006 interim financial reports of the Company and its Subsidiaries have complied with the applicable accounting standards, and that the Company has made appropriate disclosure thereof.

By Order of the Board

**Zhai Ruoyu**

*Chairman*

Beijing, the PRC, 9 August 2006

# Condensed Consolidated Interim Balance Sheet (Unaudited)

As at 30 June 2006

(Amounts expressed in thousands of Renminbi ("Rmb"))

	Note	<b>30 June 2006</b>	31 December 2005
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment, net		<b>66,707,643</b>	59,376,557
Investments in associates		<b>985,672</b>	793,316
Available-for-sale investments		<b>498,294</b>	306,294
Intangible assets		<b>81,557</b>	62,304
Deferred housing benefits		<b>157,969</b>	188,467
Deferred income tax assets		<b>86,483</b>	119,303
		<b>68,517,618</b>	60,846,241
<b>Current assets</b>			
Inventories		<b>892,014</b>	693,019
Other receivables and current assets		<b>635,535</b>	493,081
Accounts receivable	3	<b>2,169,896</b>	1,409,528
Notes receivable		<b>10,891</b>	64,829
Short-term bank deposits over three months		<b>20,000</b>	–
Cash and cash equivalents	4	<b>1,239,637</b>	1,029,339
		<b>4,967,973</b>	3,689,796
<b>Total assets</b>		<b>73,485,591</b>	64,536,037

As at 30 June 2006

(Amounts expressed in thousands of Renminbi ("Rmb"))

	Note	<b>30 June 2006</b>	31 December 2005
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital		<b>5,162,849</b>	5,162,849
Reserves		<b>13,259,265</b>	13,162,613
		<b>18,422,114</b>	18,325,462
<b>Minority interests</b>		<b>2,515,501</b>	2,403,475
<b>Total equity</b>		<b>20,937,615</b>	20,728,937
<b>Non-current liabilities</b>			
Long-term loans	7 & 12	<b>33,579,554</b>	29,215,217
Convertible bond	6	<b>1,113,184</b>	1,098,758
Government grants		<b>210,942</b>	210,942
Deferred income tax liabilities		<b>104,112</b>	152,498
		<b>35,007,792</b>	30,677,415
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	5	<b>6,972,287</b>	4,558,556
Short-term loans	7 & 12	<b>8,003,766</b>	5,717,280
Current portion of long-term loans	7	<b>2,159,715</b>	2,488,884
Taxes payable		<b>398,055</b>	358,359
Deferred income		<b>6,361</b>	6,606
		<b>17,540,184</b>	13,129,685
<b>Total liabilities</b>		<b>52,547,976</b>	43,807,100
<b>Total equity and liabilities</b>		<b>73,485,591</b>	64,536,037

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Interim Income Statement (Unaudited)

For the six months ended 30 June 2006

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

	Note	Six months ended 30 June	
		2006	2005
Operating revenue	8	<b>10,828,881</b>	8,588,707
Operating costs	12&13	<b>(8,058,868)</b>	(6,438,097)
Operating profit		<b>2,770,013</b>	2,150,610
Share of result of associates, net		<b>(3,426)</b>	(3,953)
Interest income		<b>14,463</b>	24,429
Finance costs	13	<b>(560,936)</b>	(371,495)
Profit before taxation		<b>2,220,114</b>	1,799,591
Taxation	9	<b>(598,386)</b>	(353,436)
Profit for the period		<b>1,621,728</b>	1,446,155
Attributable to:			
– Equity holders of the Company		<b>1,273,947</b>	1,118,892
– Minority interests		<b>347,781</b>	327,263
		<b>1,621,728</b>	1,446,155
Earnings per share for profit attributable to the equity holders of the Company during the period			
– basic (Rmb)	10	<b>0.25</b>	0.22
– diluted (Rmb)	10	<b>0.24</b>	0.21

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

# Condensed Consolidated Interim Statement of Changes in Equity (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb)

Note	Attributable to equity holders of the Company										
	Share capital	Capital reserve	Statutory surplus fund	Statutory public welfare reserve	Discretionary Surplus reserve	Restricted reserve	Other reserve	Retained earnings	Total reserves	Minority Interests	Total equity
Balance as at 1 January 2005	5,162,849	3,653,421	1,619,555	464,488	3,593,485	129,441	149,796	2,337,382	11,947,568	1,968,309	19,078,726
Capital injection	-	-	-	-	-	-	-	-	-	95,600	95,600
Dividends declared	11	-	-	-	-	-	-	(1,135,827)	(1,135,827)	(83,883)	(1,219,710)
Net profit	-	-	-	-	-	-	-	1,118,892	1,118,892	327,263	1,446,155
Transfer from restricted reserve	11	-	-	-	-	(16,180)	-	16,180	-	-	-
Transfer to discretionary surplus reserve	11	-	-	-	1,281,777	-	-	(1,281,777)	-	-	-
Balance as at 30 June 2005	5,162,849	3,653,421	1,619,555	464,488	4,875,262	113,261	149,796	1,054,850	11,930,633	2,307,289	19,400,771

Note	Attributable to equity holders of the Company											
	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Restricted reserve	Currency translation difference	Other reserve	Retained earnings	Total reserves	Minority interests	Total equity
Balance as at 1 January 2006	5,162,849	3,653,421	1,977,046	559,456	4,981,377	173,510	(184)	149,796	1,668,189	13,162,813	2,403,475	20,728,937
Minority interests arising from business combination	-	-	-	-	-	-	-	-	-	-	64,263	64,263
Capital injection	-	-	-	-	-	-	-	-	-	-	251,000	251,000
Dividends declared	11	-	-	-	-	-	-	-	(1,177,130)	(1,177,130)	(551,016)	(1,728,146)
Currency translation differences	-	-	-	-	-	-	(165)	-	-	(165)	-	(165)
Net profit	-	-	-	-	-	-	-	-	1,273,947	1,273,947	347,761	1,621,728
Transfer between reserves	11	-	559,456	(559,456)	-	-	-	-	-	-	-	-
Transfer from restricted reserve	11	-	-	-	-	(28,005)	-	-	28,005	-	-	-
Transfer to discretionary surplus reserve	11	-	-	-	759,910	-	-	-	(759,910)	-	-	-
Balance as at 30 June 2006	5,162,849	3,653,421	2,536,504	-	5,741,287	145,505	(349)	149,796	1,033,101	13,259,265	2,515,501	20,937,815

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

## Condensed Consolidated Interim Cash Flow Statement (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb)

	Note	Six months ended 30 June	
		2006	2005
Net cash from operating activities		<b>4,020,004</b>	1,485,162
Net cash used in investing activities	13	<b>(7,636,519)</b>	(8,239,468)
Net cash provided by financing activities	13	<b>3,831,013</b>	6,078,482
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>214,498</b>	(675,824)
<b>Cash and cash equivalents, beginning of period</b>		<b>1,029,339</b>	3,462,019
Exchange losses on cash and cash equivalents		<b>(4,200)</b>	—
<b>Cash and cash equivalents, end of period</b>		<b>1,239,637</b>	2,786,195

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.



# Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

## 1. Company organisation and principal activities

Datang International Power Generation Company Limited (the “Company”) was incorporated in Beijing, the People’s Republic of China (the “PRC”), on 13 December 1994 as a joint stock limited company. The Company listed its H Shares on the Stock Exchange of Hong Kong Limited and the London Stock Exchange Limited on 21 March 1997.

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 14 coal-fired power plants and 2 hydropower plants. It is also developing various power plant projects through ventures with other parties. Substantially all of the business of the Company and its Subsidiaries are conducted within one industry segment.

The directors consider that the substantial 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.

As at 30 June 2006, the Company holds equity interests in the following subsidiaries, jointly controlled entity and associates, all of which are limited liability companies established and operated in the PRC, except for Hongda Technology Company Limited, an associate of one of the Company’s subsidiaries, which is registered in Vietnam:

<u>Company name</u>	<u>Date of establishment</u>	<u>Registered capital</u>	<u>Attributable interest</u>	<u>Principal activities</u>
<b>Subsidiaries</b>				
Inner Mongolia Datang International Tucketuo Power Generation Company Limited (“Tucketuo Power Company”)	17 November 1995	1,614,020	60%	Power generation

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

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

<u>Company name</u>	<u>Date of establishment</u>	<u>Registered capital</u>	<u>Attributable interest</u>	<u>Principal activities</u>
<b>Subsidiaries</b> (cont'd)				
Tianjin Datang International Panshan Power Generation Company Limited	6 August 1997	831,253	75%	Power generation
Hebei Datang International Huaze Hydropower Development Company Limited	29 July 1998	59,162	90%	Hydropower generation
Shanxi Datang International Shentou Power Generation Company Limited	8 December 1998	748,520	60%	Power generation
Shanxi Datang International Yungang Thermal Power Company Limited	14 July 2000	250,000	80%	Power generation
Yunnan Datang International Honghe Power Generation Company Limited	27 April 2001	109,157	70%	Power generation
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	21 February 2002	380,264	80%	Power generation

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

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

<u>Company name</u>	<u>Date of establishment</u>	<u>Registered capital</u>	<u>Attributable interest</u>	<u>Principal activities</u>
<b>Subsidiaries</b> (cont'd)				
Yunnan Datang International Nalan Hydropower Development Company Limited ("Nalan Hydropower Company")	30 October 2002	28,477	51%	Hydropower generation
Yunnan Datang International Lixianjiang Hydropower Development Company Limited	8 November 2002	60,000	70%	Hydropower generation (under construction)
Shanxi Datang International Yuncheng Power Generation Company Limited	28 March 2003	10,000	80%	Power generation (under construction)
Jiangsu Datang International Lusi Power Generation Company Limited	18 September 2003	50,000	90%	Power generation (pre-construction)
Guangdong Datang International Chaozhou Power Generation Company Limited	15 November 2003	30,000	75%	Power generation
Fujian Datang International Ningde Power Generation Company Limited	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

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

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

<u>Company name</u>	<u>Date of establishment</u>	<u>Registered capital</u>	<u>Attributable interest</u>	<u>Principal activities</u>
<b>Subsidiaries</b> (cont'd)				
Chongqing Datang International Wulong Hydropower Development Company Limited	24 January 2005	50,000	51%	Hydropower generation (under construction)
Yunnan Datang International Wenshan Hydropower Development Company Limited	8 April 2005	60,000	60%	Hydropower generation (under construction)
Hebei Datang International Wangtan Power Generation Company Limited	17 January 2006	450,000	70%	Power generation
Chongqing Datang International Shizhu Power Generation Company Limited	23 February 2006	10,000	70%	Power generation (Pre-construction)
Inner Mongolia Datang International Duolun Hydropower Multiple Development Company Limited	28 March 2006	28,520	51%	Water supply
<b>Jointly Controlled Entity</b>				
Hebei Yuzhou Energy Multiple Development Company Limited ("Yuzhou Energy")	29 September 2005	100,000	50%	Railway transportation

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

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

<b>Company name</b>	<b>Date of establishment</b>	<b>Registered capital</b>	<b>Attributable interest</b>	<b>Principal activities</b>
<b>Associates</b>				
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	40,000	45%	Power generation (pre-construction)
Tongmei Datang Multiple Utilisation Thermal Power Company Limited	28 May 2004	20,000	20%	Power generation (under construction)
Tongfang Investment Company Limited	16 June 2004	550,000	36.4%	Project investment and management
Tongmei Datang Tashan Coalmine Company Limited ("Tashan Coalmine")	15 July 2004	50,000	28%	Coal mining (under construction)

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

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

<u>Company name</u>	<u>Date of establishment</u>	<u>Registered capital</u>	<u>Attributable interest</u>	<u>Principal activities</u>
<b>Associates</b> (cont'd)				
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	15 November 2005	20,000	36%	Power generation (pre-construction)
Fujian Ningde Nuclear Power Company Limited	23 March 2006	200,000	49%	Nuclear power generation (pre-construction)
Hongda Technology Company Limited	26 September 2002	360	35%	Power related technology services

### 2. Principal accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" promulgated by the International Accounting Standards Board and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The interim condensed financial report should be read in conjunction with the annual financial statements for the year ended 31 December 2005.

## 2. Principal accounting policies (cont'd)

The principal accounting policies applied in the preparation of these condensed consolidated interim financial statements are consistent with those applied in the preparation of the annual financial statements as at and for the year ended 31 December 2005 except that the Company and its Subsidiaries have adopted the revised/new International Financial Reporting Standards ("IFRS") which are effective for accounting period commencing on or after 1 January 2006.

### Standards, interpretations and amendments to published standards effective in 2006

In 2006, 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.

IAS 39 and IFRS 4 Amendments	Financial guarantee contracts
IFRIC Interpretation 4	Determining whether an arrangement contains a lease

Management assessed the relevance of the adoption of IAS 39, IFRS 4 and IFRIC Interpretation 4 with respect to the operation of the Company and its Subsidiaries and concluded that these revised/new standards have no material impact on the Company and its Subsidiaries' accounting policy and the management will continue assessing the impact of this standard in the future.

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

## **2. Principal accounting policies (cont'd)**

### **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 July 2006 or later periods but which the Company and its Subsidiaries have not early adopted, as follows:

- 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 9, 'Reassessment of Embedded Derivatives', effective for annual periods beginning on or after 1 June 2006. Management believes that this interpretation should not have a significant impact on the reassessment of embedded derivatives as the Company and its Subsidiaries already assess if embedded derivative should be separated using principles consistent with IFRIC 9.



### 3. 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 30 June 2006, all tariff revenues receivable from the respective grid companies were aged within three months, and no doubtful debt provisions were made thereof.

### 4. Cash and cash equivalents

	<b>30 June 2006</b>	31 December 2005
Deposits with NCPG Finance Company Limited	<b>232</b>	350
Bank deposits	<b>1,238,778</b>	1,028,403
Cash in hand	<b>627</b>	586
	<b><u>1,239,637</u></b>	<u>1,029,339</u>

As at 30 June 2006, cash and cash equivalents of approximately Rmb232,000 (31 December 2005 – Rmb350,000) were deposited with NCPG Finance Company Limited, at the prevailing market interest rate of 0.72% per annum (2005 – 0.72% per annum).

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

### 5. Accounts payable and accrued liabilities

	<b>30 June 2006</b>	31 December 2005
Construction costs and deposits payable to contractors	<b>4,361,328</b>	3,231,715
Fuel and material costs payable	<b>1,637,493</b>	927,648
Salary and welfare payable	<b>164,858</b>	93,669
Interest rate swap liability	–	69,079
Others	<b>808,608</b>	236,445
	<b><u>6,972,287</u></b>	<u>4,558,556</u>

As at 30 June 2006, 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 30 June 2006, the notional principal amount of the outstanding interest rate swap contract of Tuoketuo Power Company was USD207,155,000 (31 December 2005 – USD219,675,000), and the fixed rate and floating rate were 5.15% (31 December 2005 – 5.15%) and 4.73% (31 December 2005 – 3.82%) (LIBOR offered by British Bankers' Association as at 13 January 2006), respectively.

### 6. Convertible bond

The liability component of convertible bond as at 30 June 2006 was as follows:

Liability component at 1 January 2006	1,098,758
Interest expense	29,180
Interest payment	(4,643)
Exchange rate adjustment	(10,111)
Liability component at 30 June 2006	<u>1,113,184</u>

The carrying amount of the liability component at 30 June 2006 of the convertible bond approximated its fair value.

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

## 7. Loans

As at 30 June 2006, the Company and its Subsidiaries had short term and long term loans payable to Datang Finance totalling approximately Rmb1,380,000,000 and 101,000,000 respectively (31 December 2005 – Rmb187,000,000 and nil).

## 8. Operating revenue

	Six months ended 30 June	
	2006	2005
Electricity	<b>10,755,244</b>	8,541,200
Heat	<b>73,637</b>	47,507
	<b>10,828,881</b>	8,588,707

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. For the six months ended 30 June 2006, most of the electricity generated by the Company and its Subsidiaries was sold to North China Grid Company (“NCG”) and its subsidiaries.

## 9. Taxation

	Six months ended 30 June	
	2006	2005
PRC enterprise income tax		
– Current tax	<b>613,951</b>	347,233
– Deferred tax	<b>(15,565)</b>	6,203
	<b>598,386</b>	353,436

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

### 9. Taxation (cont'd)

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. For the six months ended 30 June 2006, except for Tuoketuo Power Company, Liancheng Power Company and Nalan Hydropower Company, the applicable PRC enterprise income tax rate for the Company and its Subsidiaries is 33%.

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, Liancheng Power Company and Nalan Hydropower 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, Liancheng Power Company and Nalan Hydropower 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 commenced commercial operation in 2003. The applicable PRC enterprise income tax rates approved by the local tax authority in 2005 and the six months ended 30 June 2006 are 0% and 7.5% respectively.

Liancheng Power Company commenced commercial operation in 2005. The applicable PRC enterprise income tax rates approved by the local tax authority in 2005 and the six months ended 30 June 2006 are 0%.

Nalan Hydropower Company commenced commercial operation in 2006. The applicable PRC enterprise income tax rate approved by the local tax authority in the six months ended 30 June 2006 is 0%.

## 10. Earnings per share

The calculation of basic earnings per share for profit attributable to the equity holders of the Company for the six months ended 30 June 2006 was based on net profit attributable to equity holders of the Company of approximately Rmb1,273,947,000 (2005 – Rmb1,118,892,000) and on the weighted average number of 5,162,849,000 shares (2005 – 5,162,849,000 shares) outstanding during the period.

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

	Six months ended 30 June	
	<b>2006</b>	2005
Profit attributable to equity holders of Company (Rmb '000)	<b>1,273,947</b>	1,118,892
Interest expense on convertible debt (net of tax) (Rmb '000)	<b>19,551</b>	19,338
Profit used to determine diluted earnings per share (Rmb '000)	<b>1,293,498</b>	1,138,230
Weighted average number of ordinary shares in issue (shares in thousand)	<b>5,162,849</b>	5,162,849
Adjustments for assumed conversion of convertible debt (shares in thousand)	<b>222,127</b>	222,127
Weighted average number of ordinary shares for diluted earnings per share (shares in thousand)	<b>5,384,976</b>	5,384,976
Diluted earnings per share for profit attributable to the equity holders of the Company (Rmb)	<b>0.24</b>	0.21

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

### 11. Profit appropriations

#### 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 (2004 – Rmb1,135,827,000). The proposed dividend distribution was approved by the shareholders in their general meeting dated 20 June 2006 and was paid prior to 30 June 2006.

#### Reserves

During the period, approximately Rmb28,005,000 has been transferred from the restricted reserve (2005 – Rmb16,180,000) , which is specifically set up to reflect the reduction of the statutory public welfare fund under PRC GAAP, to retained earnings. This amount represented amortisation of deferred housing benefits for the six months ended 30 June 2006.

On 27 March 2006, the Board of Directors proposed an appropriation of approximately Rmb759,910,000 to the discretionary surplus reserve for the year ended 31 December 2005 (2004 – Rmb1,281,777,000). The proposed profit appropriation was approved by the shareholders in their general meeting dated 20 June 2006.

Pursuant to the revised Company Law of the PRC, effective since 1 January 2006, statutory public welfare fund was abolished and accordingly, the Company transferred the balance of statutory public welfare fund to statutory surplus reserve.

## 12. Related parties and transactions

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

<u>Name of related parties</u>	<u>Nature of relationship</u>
<i>Related parties in which the Company has no equity interest</i>	
China Datang	Substantial shareholder
Tianjin Jinneng Investment Company	Shareholder
Beijing Energy Investment (Group) Company	Shareholder
Hebei Construction Investment Company	Shareholder
Other state-controlled entities	Related parties of the Company

*Related parties in which the Company has equity interest*

NCEPR	Associate
Datang Texin	Associate
Pengshui Hydropower Company	Associate
Daba Power Company	Associate
Tashan Coalmine	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 period:

	Note	Six months ended 30 June	
		2006	2005
Ash disposal fee to China Datang	(a)	<b>28,946</b>	28,946
Rental fee to China Datang	(b)	<b>3,614</b>	3,614
Technical supervision, assistance and testing service fee to NCEPR	(c)	<b>16,916</b>	14,408
Heat revenue from Datang Texin	(d)	<b>25,488</b>	19,826
Fuel management fee to China Datang	(e)	<b>3,134</b>	3,134
Interest expense to Datang Finance	(f)	<b>15,740</b>	–

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

### 12. Related parties and transactions (cont'd)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its Subsidiaries during the period: (cont'd)
  - (a) The ash disposal fee was determined based on ash disposal operating costs, taxes, depreciation of ash yards and a profit margin at 5% to 10% of the total costs incurred by China Datang. As at 30 June 2006, the balance due to China Datang amounted to Rmb28,946,000 (31 December 2005 – nil) and was included in accounts payable.
  - (b) For the six months ended 30 June 2006, the Company has leased buildings of 141,671 (2005 – 141,671) square metres from China Datang for an annual rental rate of approximately Rmb7 million (2005 – Rmb7 million). As at 30 June 2006, the balance due to China Datang amounted to Rmb3,614,000 (31 December 2005 – nil), and was included in accounts payable.
  - (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. As at 30 June 2006, the balance due to NCERP, amounted to Rmb14,359,000 (31 December 2005 – Rmb799,000, and was included in accounts payable.
  - (d) Part of the Company's sales of heat for the six months ended 30 June 2006 were made to Datang Texin. As at 30 June 2006, the balance due from Datang Texin amounted to Rmb28,802,000 (31 December 2005 – Rmb10,117,000), and was included in accounts receivable.
  - (e) For the six months ended 30 June 2006, China Datang provided fuel management and developing services to the Company. These services were charged at Rmb0.30 per ton of coal purchased. As at 30 June 2006, the balance due to this Company amounted to Rmb3,134,000 (31 December 2005 – Nil), and included in accounts payables.



## 12. Related parties and transactions (cont'd)

- (ii) The following is a summary of the major related party transactions undertaken by the Company and its Subsidiaries during the period: (cont'd)
- (f) As discussed in Note 7, as at 30 June 2006, the Company and its Subsidiaries had loans payable to Datang Finance totalling approximately Rmb1,481 million (31 December 2005 – Rmb187 million).
  - (g) As at 30 June 2006, NCG and the minority shareholders of the Company's subsidiaries had provided guarantees for the Company and its subsidiaries' loans totalling approximately Rmb4,130 million (31 December 2005 – Rmb5,308 million). Pursuant to the Entities Transfer Agreement, China Datang will assume all of NCG's obligations in relation to the guarantees provided for the Company and its Subsidiaries. The legal procedures of this arrangement were still in process as at 30 June 2006.
  - (h) As at 30 June 2006, the Company had provided guarantees for loans of its associates, Datang Texin, Pengshui Hydropower Company, Daba Power Company and Tashan Coalmine, according to the Company's shareholding percentage in its associates totalling approximately Rmb865 million (31 December 2005 – Rmb905 million).
  - (i) In addition to the transactions mentioned above, for the six months ended 30 June 2006, there was no related companies owned/managed by certain management personnel of the Company and its Subsidiaries, which provided property management, cleaning, transportation (2005 – Rmb16,655,000) to the Company and its Subsidiaries.
  - (j) Transactions with state-controlled entities  
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.

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

### 12. Related parties and transactions (cont'd)

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

(j) Transactions with state-controlled entities (cont'd)

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

	Six months ended 30 June	
	2006	2005
<b>Transactions with other state-controlled entities</b>		
Sales of electricity	<b>10,755,244</b>	8,541,200
Sales of heat	<b>73,637</b>	47,507
Interest income from state-owned banks/non-bank financial institution	<b>14,463</b>	24,429
Interest expenses on loans borrowed from state-owned banks/non-bank financial institution	<b>1,151,356</b>	698,732
Purchase of property, plant and equipment (including construction-in-progress)	<b>9,899,414</b>	5,690,050
Purchases of fuel	<b>3,584,270</b>	1,819,967
Purchase of spare parts and consumable supplies	<b>93,632</b>	72,660
Drawdown of short-term loans from state-owned banks/non-bank financial institution	<b>9,115,920</b>	7,593,200
Repayment of short-term loans from state-owned banks/non-bank financial institution	<b>6,829,434</b>	1,954,000
Drawdown of long-term loans borrowed from state-owned banks/non-bank financial institution	<b>7,873,168</b>	3,576,353
Repayment of long-term loans borrowed from state-owned banks/non-bank financial institution	<b>3,771,589</b>	2,540,050
Acquisition of Shayu Railway Company (Note 13(d))	<b>288,719</b>	–
Other charges		
– Repair and maintenance services	<b>93,578</b>	65,702
– Transportation expenses	<b>139,442</b>	217,861

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

## 12. Related parties and transactions (cont'd)

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

(j) Transactions with state-controlled entities (cont'd)

	<b>30 June 2006</b>	31 December 2005
<b>Assets and liabilities with other state-controlled entities</b>		
Short-term bank deposits and cash at bank in state-owned banks/non-bank financial institution	<b>1,259,637</b>	1,029,339
Prepayment for purchase of property, plant and equipment	<b>1,190,252</b>	53,103
Accounts payable for purchase of fuel	<b>866,201</b>	670,281
Accounts payable for purchase of spare parts and consumable supplies	<b>104,599</b>	190,997
Accounts payable for purchase of property, plant and equipment	<b>1,644,156</b>	581,653
Balance of short-term loans borrowed from state-owned banks/non-bank financial institution	<b>8,003,766</b>	5,717,280
Balance of long-term loans borrowed from state-owned banks/non-bank financial institution (including current portion)	<b>34,114,141</b>	30,012,563
	<b>30 June 2006</b>	31 December 2005
<b>Guaranteed loans</b>		
Loans guaranteed by		
– NCG	<b>975,077</b>	1,459,923
– Minority shareholders of subsidiaries	<b>3,155,068</b>	3,848,190

(iii) Key Management Compensation

	Six months ended 30 June	
	<b>2006</b>	2005
Basic salaries and allowances	<b>403</b>	385
Bonus	<b>1,319</b>	1,259
Retirement benefits	<b>98</b>	154
Other benefits	<b>677</b>	991

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

### 13. Supplemental financial information

#### (a) Condensed consolidated balance sheet

	<b>30 June 2006</b>	31 December 2005
Net current liabilities	<b>(12,572,211)</b>	(9,439,889)
Total assets less current liabilities	<b>55,945,407</b>	51,406,352
	Six months ended 30 June	
	<b>2006</b>	2005
Additions to property, plant and equipment	<b>9,153,993</b>	8,488,241

#### (b) Condensed consolidated income statement

	Six months ended 30 June	
	<b>2006</b>	2005
Interest expenses	<b>1,190,821</b>	724,612
Less: amount capitalised in property, plant and equipment	<b>(559,979)</b>	(381,275)
	<b>630,842</b>	343,337
Exchange (gain)/loss, net	<b>(25,656)</b>	1,411
Fair value (gain)/loss on an interest rate swap	<b>(44,250)</b>	26,747
Finance costs	<b>560,936</b>	371,495
Cost of inventories		
– Fuel	<b>4,557,820</b>	3,730,166
– Spare parts and consumable supplies	<b>55,967</b>	38,071
Depreciation	<b>1,785,011</b>	1,294,391
Dividend income	<b>(28,052)</b>	(27,261)
Donation to State Environmental Bureau	<b>34,000</b>	66,000
Amortisation of deferred housing benefits	<b>30,498</b>	36,753

**13. Supplemental financial information (cont'd)****(c) Condensed consolidated cashflow statement**

	Six months ended 30 June	
	<b>2006</b>	2005
<b>Investing activities</b>		
Additions to property, plant and equipment	<b>(6,949,399)</b>	(8,282,734)
<b>Financing activities</b>		
Addition of short-term loans	<b>9,115,920</b>	7,593,200
Repayment of short-term loans	<b>(6,829,434)</b>	(1,954,000)
Addition of long-term loans	<b>7,923,500</b>	3,621,467
Repayment of long-term loans	<b>(3,869,493)</b>	(2,591,598)

**(d) Acquisition of Shayu Railway Company**

	<b>Acquiree's carrying value*</b>	<b>Fair value*</b>
Cash and cash equivalents	2,004	2,004
Inventories and other current assets	6,646	6,646
Property, plant and equipment	470,853	529,138
Accounts payable and accrued liabilities	(194,690)	(194,690)
Net assets	284,813	343,098
Minority interests	(53,346)	(64,262)
Net assets acquired	231,467	278,836
Add: Goodwill	57,252	9,883
Total consideration paid	288,719	288,719
Less: Cash inflow from the acquiree	(2,004)	(2,004)
Payment on behalf of the acquiree in 2005	(5,750)	(5,750)
Net cash outflow on acquisition	280,965	280,965

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

### 13. Supplemental financial information (cont'd)

#### (d) Acquisition of Shayu Railway Company (cont'd)

- \* Since Yuzhou Energy is proportionately consolidated by the Company, all the amounts presented in this table represent 50% of the amounts recorded in Yuzhou Energy's financial statements. Yuzhou Energy entered into agreements with Kailuan (Group) Company Limited, Yuzhou Mining Company Limited and Zhangjiakou Construction and Investment Company Limited, under which Yuzhou Energy acquired 81.27% interest in Shayu Railway Company, with a total consideration of Rmb577 million. This acquisition became effective on 1 January 2006.

### 14. Commitments

#### (a) Capital commitments

As at 30 June 2006, the Company had capital commitments related to investments in subsidiaries, jointly controlled entity and associates amounted to Rmb13,008 million (31 December 2005 – Rmb7,084 million). In addition, capital commitments of the Company and its Subsidiaries in relation to the construction and renovation of the electric utility plants not provided for in the balance sheet were as follows:

	<b>30 June 2006</b>	31 December 2005
Authorised and contracted for	<b>16,789,139</b>	22,229,222
Authorised but not contracted for	<b>9,588,739</b>	6,796,540
	<b>26,377,878</b>	29,025,762

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

#### 14. Commitments (cont'd)

##### (b) Operating lease commitments

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

	<b>30 June 2006</b>	31 December 2005
Amount repayable		
Within one year	<b>19,805</b>	13,505
Between one to five years	<b>28,912</b>	32,012
Over five years	<b>32,526</b>	43,302
	<b>81,243</b>	88,819

#### 15. Contingent liabilities

	<b>30 June 2006</b>	31 December 2005
Guarantee for loan facilities granted to associates	<b>864,850</b>	905,350

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

## Notes to the Condensed Consolidated Interim Financial Statements (Unaudited)

For the six months ended 30 June 2006

(Amounts expressed in thousands of Rmb unless otherwise stated)

### 16. Subsequent event

On 13 June 2006, the Company entered into an Investment Agreement with Ganzi Prefecture Gantou Hydropower Development Co., Ltd. for the purposes of constructing and operating the Ganzi Hydropower Project by establishing Sichuan Datang International Ganzi Hydropower Development Company Limited (the “Ganzi Hydropower Company”). The estimated registered capital of Ganzi Hydropower Company is approximately Rmb4,500,000,000. The Company holds an 80% interest in Ganzi Hydropower Company. Ganzi Hydropower Company was incorporated on 3 July 2006. As at the reporting date, the Company had invested Rmb 40,000,000 in Ganzi Hydropower Company.