CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	**2006** *RMB'000*	2005 *RMB'000*
Turnover	3	**15,130,927**	13,300,397
Operating expenses			
Coal consumption		**(8,061,590)**	(7,270,536)
Depreciation and amortisation		**(1,952,158)**	(1,621,738)
Major overhaul expenses		**(267,582)**	(246,988)
Repairs and maintenance		**(185,951)**	(151,863)
Personnel costs	4	**(1,293,937)**	(1,057,365)
Administration expenses		**(584,217)**	(506,429)
Sales related taxes	5	**(157,719)**	(134,291)
Other operating expenses		**(331,905)**	(257,449)
		(12,835,059)	(11,246,659)
Operating profit		**2,295,868**	2,053,738
Investment income		**3,140**	240
Other net income		**47,023**	45,037
Net finance costs	6	**(503,794)**	(446,357)
Share of profits less losses of associates		**39,683**	16,636
Profit before taxation	7	**1,881,920**	1,669,294
Income tax	10(a)	**(522,977)**	(512,341)
Profit for the year		**1,358,943**	1,156,953
Attributable to:			
Equity shareholders of the Company		**1,201,201**	1,066,421
Minority interests		**157,742**	90,532
Profit for the year		**1,358,943**	1,156,953
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	11(a)	**373,307**	391,370
Basic and diluted earnings per share	12	**RMB0.199**	RMB0.179

The notes on pages 61 to 112 form part of these financial statements.

CONSOLIDATED BALANCE SHEET

as at 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2006 RMB'000	2005 RMB'000
Non-current assets			
Property, plant and equipment	13	**37,046,206**	21,348,609
Construction in progress	14	**11,499,163**	9,048,143
Lease prepayments	15	**895,275**	429,770
Intangible assets	16	**44,431**	44,431
Interest in associates	18	**1,486,041**	918,211
Other investments	20	**135,539**	175,639
Investment deposit	21	**15,250**	—
Deferred tax assets	28	**44,946**	46,218
		51,166,851	32,011,021
Current assets			
Inventories	22	**748,511**	558,847
Deposits, other receivables and prepayments		**111,258**	87,127
Trade and bills receivables	23	**1,575,104**	1,263,332
Tax recoverable	10(b)	**16,164**	2,789
Guarantee deposits	24	**316,058**	—
Cash and cash equivalents	25	**967,922**	845,642
		3,735,017	2,757,737
Current liabilities			
Bank loans	26(a)	**10,864,955**	5,492,551
Loans from shareholders	26(b)	**51,000**	175,000
Current portion of state loans	26(c)	**10,005**	9,584
Other loans	26(d)	**1,575,520**	398,623
Amount due to holding company		**10,415**	33,000
Trade and bills payables	27	**4,508,415**	1,061,917
Other payables		**1,713,570**	889,640
Tax payable	10(b)	**88,792**	113,970
		18,822,672	8,174,285
Net current liabilities		**(15,087,655)**	(5,416,548)
Total assets less current liabilities carried forward		**36,079,196**	26,594,473

CONSOLIDATED BALANCE SHEET *(continued)*

as at 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2006 RMB'000	2005 RMB'000
Total assets less current liabilities brought forward		**36,079,196**	26,594,473
Non-current liabilities			
Bank loans	26(a)	**17,005,947**	9,785,891
Loans from shareholders	26(b)	**1,335,000**	1,135,000
State loans	26(c)	**74,424**	70,179
Other loans	26(d)	**831,055**	1,365,647
Deferred government grants		**203,880**	136,170
Deferred tax liabilities	28	**780,987**	439,170
		20,231,293	12,932,057
NET ASSETS		**15,847,903**	13,662,416
CAPITAL AND RESERVES			
Share capital	29(a)	**6,021,084**	6,021,084
Reserves		**7,455,182**	6,600,625
Total equity attributable to equity shareholders of the Company		**13,476,266**	12,621,709
Minority interests		**2,371,637**	1,040,707
TOTAL EQUITY		**15,847,903**	13,662,416

Approved and authorised for issue by the Board of Directors on 23 March 2007

Chen Jianhua
Director

Tian Peiting
Director

The notes on pages 61 to 112 form part of these financial statements.

BALANCE SHEET

as at 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	**2006 RMB'000**	2005 RMB'000
Non-current assets			
Property, plant and equipment	13	**14,800,855**	11,033,595
Construction in progress	14	**2,244,303**	3,150,007
Lease prepayments	15	**224,719**	196,401
Intangible assets	16	**45,457**	45,457
Interest in subsidiaries	17	**3,934,350**	2,327,813
Interest in associates	18	**1,408,033**	869,540
Interest in a jointly controlled entity	19	**142,800**	193,983
Other investments	20	**130,539**	172,939
Investment deposit	21	**15,250**	—
Deferred tax assets	28	**35,043**	38,221
		22,981,349	18,027,956
Current assets			
Inventories	22	**299,032**	313,524
Amounts due from subsidiaries		**283,717**	56,455
Deposits, other receivables and prepayments		**63,540**	34,146
Trade and bills receivables	23	**530,690**	654,317
Guarantee deposits	24	**319**	—
Cash and cash equivalents	25	**576,670**	484,574
		1,753,968	1,543,016
Current liabilities			
Bank loans	26(a)	**5,406,832**	1,766,840
Loans from shareholders	26(b)	**—**	175,000
Current portion of state loans	26(c)	**10,005**	9,584
Other loans	26(d)	**550,000**	42,000
Amount due to holding company		**—**	33,000
Amounts due to subsidiaries		**375,639**	101,753
Trade and bills payables	27	**1,711,025**	418,719
Other payables		**534,309**	353,762
Tax payable	10(b)	**68,659**	79,098
		8,656,469	2,979,756
Net current liabilities		**(6,902,501)**	(1,436,740)
Total assets less current liabilities carried forward		**16,078,848**	16,591,216

BALANCE SHEET *(continued)*

as at 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	**2006** **RMB'000**	2005 RMB'000
Total assets less current liabilities brought forward		**16,078,848**	16,591,216
Non-current liabilities			
Bank loans	26(a)	**2,776,880**	3,123,758
Loans from shareholders	26(b)	**585,000**	585,000
State loans	26(c)	**66,924**	67,929
Other loans	26(d)	**298,037**	898,037
Deferred government grants		**95,080**	43,000
		3,821,921	4,717,724
NET ASSETS		**12,256,927**	11,873,492
CAPITAL AND RESERVES			
Share capital	29(a)	**6,021,084**	6,021,084
Reserves		**6,235,843**	5,852,408
TOTAL EQUITY		**12,256,927**	11,873,492

Approved and authorised for issue by the Board of Directors on 23 March 2007

Chen Jianhua
Director

Tian Peiting
Director

The notes on pages 61 to 112 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Statutory public welfare fund	Discretionary surplus reserve	Revaluation reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(note 29(a))	*(note 29(b))*	*(note 29(c))*	*(note 29(d))*	*(note 29(e))*	*(note 29(f))*				
Balance at 1 January 2005	5,256,084	777,418	860,722	333,085	63,690	—	2,589,526	9,880,525	812,943	10,693,468
Issuance of A shares	765,000	1,120,501	—	—	—	—	—	1,885,501	—	1,885,501
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	12,332	12,332
Capital injection from minority shareholders to subsidiaries	—	—	—	—	—	—	—	—	134,493	134,493
Profit for the year	—	—	—	—	—	—	1,066,421	1,066,421	90,532	1,156,953
Appropriations	—	—	101,497	50,748	—	—	(152,245)	—	—	—
Transfer between reserves	—	—	—	(4,399)	4,399	—	—	—	—	—
Dividends approved for equity shareholders of the Company	—	—	—	—	—	—	(210,738)	(210,738)	—	(210,738)
Dividends approved for minority equity shareholders of subsidiaries	—	—	—	—	—	—	—	—	(9,593)	(9,593)
Balance at 31 December 2005	6,021,084	1,897,919	962,219	379,434	68,089	—	3,292,964	12,621,709	1,040,707	13,662,416
Balance at 1 January 2006	6,021,084	1,897,919	962,219	379,434	68,089	—	3,292,964	12,621,709	1,040,707	13,662,416
Transfer to statutory surplus reserve	—	—	379,434	(379,434)	—	—	—	—	—	—
Acquisition of subsidiaries	—	—	—	—	—	44,726	—	44,726	694,835	739,561
Disposal of subsidiary	—	—	—	—	—	—	—	—	(7,887)	(7,887)
Acquisition of minority interests	—	—	—	—	—	—	—	—	(90,780)	(90,780)
Capital injection from minority shareholders to subsidiaries	—	—	—	—	—	—	—	—	588,358	588,358
Profit for the year	—	—	—	—	—	—	1,201,201	1,201,201	157,742	1,358,943
Appropriations	—	—	112,189	—	—	—	(112,189)	—	—	—
Dividends approved for equity shareholders of the Company	—	—	—	—	—	—	(391,370)	(391,370)	—	(391,370)
Dividends approved for minority equity shareholders of subsidiaries	—	—	—	—	—	—	—	—	(11,338)	(11,338)
Balance at 31 December 2006	6,021,084	1,897,919	1,453,842	—	68,089	44,726	3,990,606	13,476,266	2,371,637	15,847,903

The notes on pages 61 to 112 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Share capital *RMB'000* *(note 29(a))*	Capital reserve *RMB'000* *(note 29(b))*	Statutory surplus reserve *RMB'000* *(note 29(c))*	Statutory public welfare fund *RMB'000* *(note 29(d))*	Discretionary surplus reserve *RMB'000* *(note 29(e))*	Retained profits *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2005	5,256,084	777,418	860,722	333,085	63,690	2,105,432	9,396,431
Issuance of A shares	765,000	1,120,501	—	—	—	—	1,885,501
Profit for the year	—	—	—	—	—	802,298	802,298
Appropriations	—	—	101,497	50,748	—	(152,245)	—
Transfer between reserves	—	—	—	(4,399)	4,399	—	—
Dividends approved	—	—	—	—	—	(210,738)	(210,738)
Balance at 31 December 2005	6,021,084	1,897,919	962,219	379,434	68,089	2,544,747	11,873,492
Balance at 1 January 2006	**6,021,084**	**1,897,919**	**962,219**	**379,434**	**68,089**	**2,544,747**	**11,873,492**
Transfer to statutory surplus reserves	**—**	**—**	**379,434**	**(379,434)**	**—**	**—**	**—**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**774,805**	**774,805**
Appropriations	**—**	**—**	**112,189**	**—**	**—**	**(112,189)**	**—**
Dividends approved	**—**	**—**	**—**	**—**	**—**	**(391,370)**	**(391,370)**
Balance at 31 December 2006	**6,021,084**	**1,897,919**	**1,453,842**	**—**	**68,089**	**2,815,993**	**12,256,927**

The notes on pages 61 to 112 form part of these financial statements.

for the year ended 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2006 RMB'000	2005 RMB'000
Operating activities			
Cash received from customers and others		**15,085,200**	13,139,982
Cash paid to suppliers, employees and others		**(10,961,578)**	(9,646,753)
Cash generated from operations		**4,123,622**	3,493,229
Interest paid		**(1,263,088)**	(756,971)
Enterprise income tax paid		**(474,665)**	(401,070)
Net cash from operating activities		**2,385,869**	2,335,188
Investing activities			
Acquisition of property, plant and equipment and construction in progress		**(12,702,225)**	(6,025,017)
Proceeds from sale of property, plant and equipment		**76,002**	5,595
Proceeds from sales of other investment		**84,761**	—
Lease prepayments paid		**(423,797)**	(37,037)
Acquisition of a subsidiary and proportionate consolidation of a jointly controlled entity, net of cash acquired	32(a)	**45,649**	(120,911)
Disposal of subsidiaries, net of cash disposed	32(b)	**(4,307)**	—
Decrease in amount due to holding company		**(33,000)**	—
Acquisition of minority interests		**(90,780)**	—
Increase in investment deposits		**(15,250)**	—
Acquisition of associates		**(462,360)**	(245,000)
Capital injection in associates		**(160,000)**	(255,140)
Capital injection in other investment		**(26,600)**	—
Interest received		**21,697**	19,285
Dividends received		**4,405**	493
Maturity of fixed deposits maturing over 3 months		**—**	10,752
Net cash used in investing activities		**(13,685,805)**	(6,646,980)

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the year ended 31 December 2006
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	**2006** *RMB'000*	2005 *RMB'000*
Financing activities			
Proceeds from the issue of share capital		**—**	1,893,315
Proceeds from borrowings		**27,282,190**	11,888,506
Proceeds from government grants		**67,380**	41,000
Payment of transaction costs on issue of share capital		**—**	(3,394)
Other cash received relating to financing activities		**449,161**	25,671
Repayment of borrowings		**(16,236,153)**	(9,859,307)
Capital injection from minority equity shareholders to subsidiaries		**585,262**	134,493
Dividends paid to equity shareholders of the Company		**(391,370)**	(210,738)
Dividends paid to minority equity shareholders of subsidiaries		**(18,196)**	(12,239)
Increase in guarantee deposits		**(316,058)**	—
Net cash from financing activities		**11,422,216**	3,897,307
Net increase/(decrease) in cash and cash equivalents		**122,280**	(414,485)
Cash and cash equivalents at beginning of the year		**845,642**	1,260,127
Cash and cash equivalents at end of the year	25	**967,922**	845,642

The notes on pages 61 to 112 form part of these financial statements.

1 BACKGROUND OF THE COMPANY

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance and basis of preparation

(i) Statement of compliance

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

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

(ii) Basis of preparation

The consolidated financial statements for the year ended 31 December 2006 comprise the Group and its interest in associates and a jointly controlled entity.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

(ii) Basis of preparation *(continued)*

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

Key assumptions and estimation made by management in the application of IFRSs that have significant effect on the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year are disclosed in note 36.

(b) Basis of consolidation

(i) Subsidiaries

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

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

(ii) Associates

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

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

(iii) Jointly controlled entities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of consolidation *(continued)*

(iv) Transactions eliminated on consolidation

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

(v) Minority interests

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

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

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with notes 2(k) or (l) depending on the nature of the liability.

(c) Investments

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Goodwill

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

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

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

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

(e) Property, plant and equipment and depreciation

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

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and director labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodies within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The estimated useful lives used are as follows:

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

Depreciation method, useful lives and residual values are reassessed at the reporting date.

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Construction in progress

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

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

(g) Impairment

(i) Impairment of investments in equity securities and receivables

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— construction in progress;

— lease prepayments;

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

— goodwill.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Impairment *(continued)*

(ii) Impairment of other assets *(continued)*

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(h) Lease prepayments

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Inventories

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

(j) Trade and other receivables

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

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

(m) Cash and cash equivalents

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

(n) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date, the fair value is remeasured and any gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(o) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue recognition

(i) Electricity income

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

(ii) Heat income

Heat income is recognised when heat is supplied to customers.

(iii) Dividend income

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

(iv) Government grants

A conditional government grant is recognised in the balance sheet initially when there is reasonable assurance that it will be received and that the Group will comply with the conditions attaching to it. Grant that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss as revenue on a systematic basis over the useful life of the asset.

(q) Major overhauls, repairs and maintenance

Expenditure on major overhauls, repairs and maintenance is charged to profit or loss as it is incurred.

(r) Translation of foreign currencies

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

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

Foreign currency translation differences relating to funds borrowed relevant to construction in progress, to the extent that they are regarded as an adjustment to interest costs, are capitalised during the construction period (see note 2(f)). All other exchange differences are dealt with in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Income tax

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

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

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

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

(t) Borrowing costs

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

(u) Operating leases

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

(v) Employee benefits

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

(w) Research and development costs

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

No analysis of the Group's turnover and contribution to profit from operations by geographical segment or business segment has been presented as all the Group's operating activities are carried out in the PRC and less than 10 per cent of the turnover and contribution to profit from operations were derived from activities outside the Group's generation and sale of electricity activities. There is no other geographical or business with segment assets equal to or greater than 10 per cent of the Group's total assets.

(z) Dividends

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(aa) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements:

— IFRS 7 Financial Instruments: Disclosures and the Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures require extensive disclosures about the significance of financial instruments for an entity's financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group's 2007 financial statements, will require extensive additional disclosures with respect to Group's financial instruments and share capital.

— IFRS 8 Operating segments sets out the requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. No analysis of the Group's turnover and contribution to profit from operations by geographical segment or business segment has been presented as all the Group's operating activities are carried out in the PRC and less than 10 per cent of the turnover and contribution to profit from operations were derived from activities outside the Group's generation and sale of electricity business. Thus, the adoption of IFRS 8 will not affect the financial statements of the Group.

— IFRIC 10 Interim Financial Reporting and Impairment prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, and investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements, and will apply to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date that the Group first applied the measurement criteria of IAS 36 (i.e. 1 January 2000) and IAS 39 (i.e. 1 January 2001) respectively. The adoption of IFRIC 10 will not affect the financial statements of the Group.

3 TURNOVER

Turnover represents the sale of electricity and heat, net of value added tax ("VAT"). Major components of the Group's turnover is as follows:

	2006	2005
	RMB'000	*RMB'000*
Sale of electricity	**14,835,072**	13,034,607
Sale of heat	**295,855**	265,790
	15,130,927	13,300,397

4 PERSONNEL COSTS

	2006	2005
	RMB'000	*RMB'000*
Wages, welfare and other benefits	**918,335**	732,078
Retirement costs *(note 31)*	**167,907**	149,357
Other staff costs	**207,695**	175,930
	1,293,937	1,057,365

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

5 SALES RELATED TAXES

Sales related taxes represent city maintenance and construction tax and education surcharge, which are calculated at 1-7% and 3-4%, respectively, of net VAT payable.

6 NET FINANCE COSTS

	2006 RMB'000	2005 RMB'000
Interest on bank advances and other loans repayable within five years	**1,328,053**	766,807
Interest on other loans repayable after five years	**40,317**	6,849
Less: Interest capitalised	**(799,050)**	(256,320)
	569,320	517,336
Less: Interest income	**(8,754)**	(19,285)
Net foreign exchange gain	**(49,162)**	(39,984)
Net gain on derivative financial instruments	**(7,610)**	(11,710)
	503,794	446,357

The interest costs have been capitalised at an average rate of 5.40% per annum (2005: 5.26%) for construction in progress.

7 PROFIT BEFORE TAXATION

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

	2006 RMB'000	2005 RMB'000
Amortisation of lease prepayments	**31,501**	23,471
Auditors' remuneration		
— audit service	**7,139**	5,231
— other services	**600**	—
Cost of inventories	**8,657,170**	7,763,525
Depreciation	**1,920,657**	1,598,267
Government grants	**(1,200)**	(3,750)
Loss on disposal of property, plant and equipment	**12,092**	1,459
Impairment losses on trade and other receivables	**1,555**	8,058
Reversal of inventories write off	**(817)**	(3,007)
Operating lease charges in respect of land and buildings	**38,591**	37,260
Research and development costs	**3,608**	5,499
Share of associates' taxation	**1,420**	10,401

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	Directors' and supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement benefits *RMB'000*	Bonuses *RMB'000*	2006 Total *RMB'000*
Directors					
He Gong	—	—	—	—	—
Chen Feihu	—	—	—	—	—
Zhu Chongli	—	—	—	—	—
Chen Jianhua	—	234	23	478	735
Tian Peiting	—	234	23	478	735
Wang Yingli	—	—	—	—	—
Zhang Bingju	—	—	—	—	—
Peng Xingyu	—	—	—	—	—
Independent non-executive directors					
Ding Huiping	—	50	—	—	50
Zhao Jinghua	—	50	—	—	50
Hu Yuanmu	—	50	—	—	50
Wang Chuanshun	—	50	—	—	50
Supervisors					
Feng Lanshui	—	—	—	—	—
Zheng Feixue	—	151	23	242	416
Li Changxu	—	—	—	—	—
	—	819	69	1,198	2,086

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS *(continued)*

	Directors' and supervisors' fees *RMB'000*	Salaries, allowances and benefits in kind *RMB'000*	Retirement benefits *RMB'000*	Bonuses *RMB'000*	2005 Total *RMB'000*
Directors					
He Gong	—	—	—	—	—
Chen Feihu	—	—	—	—	—
Zhu Chongli	—	—	—	—	—
Chen Jianhua	—	162	24	548	734
Tian Peiting	—	164	24	548	736
Wang Yingli	—	—	—	—	—
Zhang Bingju	—	—	—	—	—
Peng Xingyu	—	—	—	—	—
Independent non-executive directors					
Ding Huiping	—	50	—	—	50
Zhao Jinghua	—	50	—	—	50
Hu Yuanmu	—	50	—	—	50
Wang Chuanshun	—	50	—	—	50
Supervisors					
Feng Lanshui	—	—	—	—	—
Zheng Feixue	—	88	24	298	410
Li Changxu	—	—	—	—	—
	—	614	72	1,394	2,080

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2005: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments of the remaining three highest paid individuals (2005: three) is as follows:

	2006 ***RMB'000***	2005 *RMB'000*
Salaries and other emoluments	**595**	416
Retirement benefits	**69**	72
Bonuses	**1,221**	1,511
	1,885	1,999

10 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2006 **RMB'000**	2005 RMB'000
Current tax		
Charge for PRC enterprise income tax for the year	**436,171**	436,780
Over-provision in respect of previous years	**(3,369)**	—
	432,802	436,780
Deferred tax		
Origination and reversal of temporary differences *(note 28)*	**90,175**	75,561
Total income tax expense in the consolidated income statement	**522,977**	512,341

Reconciliation of effective tax rate:

	2006 **RMB'000**	2005 RMB'000
Profit before taxation	**1,881,920**	1,669,294
Notional PRC enterprise income tax expense at a statutory tax rate of 33%	**621,034**	550,867
Non-deductible expenses	**2,577**	1,051
Non-taxable income	**(26,444)**	(12,390)
Differential tax rate on subsidiary's and jointly controlled entity's income	**(38,979)**	(27,187)
Tax credit *(note (ii))*	**(31,842)**	—
Over-provision in respect of previous years	**(3,369)**	—
	522,977	512,341

Notes:

(i) *The charge for PRC enterprise income tax is calculated at the statutory rate of 33% (2005: 33%) on the estimated assessable profits of the year determined in accordance with relevant enterprise income tax rules and regulations, except for a subsidiary and a jointly controlled entity of the Company, which are taxed at a preferential rate of 15% until 2010. The jointly controlled entity is tax exempted until 31 December 2007 and will be entitled to a 50% reduction of the preferential rate in 2008 and 2009.*

(ii) *Pursuant to CaiShuiZi [1999] No. 290 issued by the Ministry of Finance and the State Administration of Taxation, tax credit is granted for purchases of domestic equipments. The tax credit is calculated as 40% of the current year's purchase amount of domestic equipment for technical improvement project use, but is limited to the increase in enterprise income tax of the year of purchase from the preceding year.*

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

10 INCOME TAX *(continued)*

(b) Income tax in the balance sheets represents:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Charge for PRC enterprise income tax for the year	**436,171**	436,780	**349,769**	364,463
Payments made relating to the current year	**(363,543)**	(325,599)	**(281,110)**	(285,365)
PRC enterprise income tax payable (net)	**72,628**	111,181	**68,659**	79,098
Representing:				
Tax payable	**88,792**	113,970	**68,659**	79,098
Tax recoverable	**(16,164)**	(2,789)	**—**	—
	72,628	111,181	**68,659**	79,098

11 DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year:

	2006	2005
	RMB'000	*RMB'000*
Final dividend proposed after balance sheet date of RMB0.062 per share (2005: RMB0.065 per share)	**373,307**	391,370

Pursuant to a resolution passed at the Directors' meeting held on 23 March 2007, a final dividend of RMB0.062 per share totalling approximately RMB373,307,000 will be payable to shareholders, subject to the approval of the shareholders at the coming Annual General Meeting.

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2006	2005
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.065 per share (2005: RMB0.035 per share)	**391,370**	210,738

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2006 of RMB1,201,201,000 (2005: RMB1,066,421,000) and the weighted average number of shares in issue during the year ended 31 December 2006 of 6,021,084,200 (2005: 5,957,334,000).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2006 and 2005.

13 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings *RMB'000*	Generators and related machinery and equipment *RMB'000*	Motor vehicles, furniture, fixtures, equipment and others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2005	7,500,910	21,151,164	607,075	29,259,149
Additions	710	3,574	26,994	31,278
Through acquisition of subsidiaries	—	—	5,566	5,566
Transferred from construction in progress *(note 14)*	290,917	1,680,138	20,983	1,992,038
Disposals	(6,952)	(526)	(8,494)	(15,972)
At 31 December 2005	7,785,585	22,834,350	652,124	31,272,059
At 1 January 2006	7,785,585	22,834,350	652,124	31,272,059
Additions	209	26,301	58,449	84,959
Through acquisition of a subsidiary and proportionate consolidation of a jointly controlled entity *(note 32)*	660,036	1,559,003	53,051	2,272,090
Transferred from construction in progress *(note 14)*	3,656,689	11,581,115	114,306	15,352,110
Disposals	(51,533)	(137,423)	(9,594)	(198,550)
Through disposal of subsidiaries	(12,389)	—	(9,320)	(21,709)
At 31 December 2006	12,038,597	35,863,346	859,016	48,760,959

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(a) The Group *(continued)*

	Buildings *RMB'000*	Generators and related machinery and equipment *RMB'000*	Motor vehicles, furniture, fixtures, equipment and others *RMB'000*	Total *RMB'000*
Accumulated depreciation:				
At 1 January 2005	1,786,990	6,304,953	242,158	8,334,101
Charge for the year	337,326	1,190,531	70,410	1,598,267
Written back on disposal	(914)	(403)	(7,601)	(8,918)
At 31 December 2005	2,123,402	7,495,081	304,967	9,923,450
At 1 January 2006	2,123,402	7,495,081	304,967	9,923,450
Charge for the year	412,081	1,410,092	98,484	1,920,657
Written back on disposal	(15,305)	(88,487)	(9,016)	(112,808)
Through disposal of subsidiaries	(7,286)	—	(9,260)	(16,546)
At 31 December 2006	2,512,892	8,816,686	385,175	11,714,753
Net book value:				
At 31 December 2006	9,525,705	27,046,660	473,841	37,046,206
At 31 December 2005	5,662,183	15,339,269	347,157	21,348,609

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) The Company

	Buildings *RMB'000*	Generators and related machinery and equipment *RMB'000*	Motor vehicles, furniture, fixtures, equipment and others *RMB'000*	Total *RMB'000*
Cost:				
At 1 January 2005	3,976,309	14,318,647	447,008	18,741,964
Additions	710	2,498	14,491	17,699
Transferred from construction in progress *(note 14)*	26,496	162,445	11,929	200,870
Disposals	(923)	(526)	(4,431)	(5,880)
At 31 December 2005	4,002,592	14,483,064	468,997	18,954,653
At 1 January 2006	4,002,592	14,483,064	468,997	18,954,653
Additions	—	1,046	16,435	17,481
Transferred from subsidiaries	7,654	—	14,275	21,929
Transferred from construction in progress *(note 14)*	2,107,827	2,649,195	29,800	4,786,822
Disposals	(49,804)	(135,961)	(9,332)	(195,097)
At 31 December 2006	6,068,269	16,997,344	520,175	23,585,788

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

13 PROPERTY, PLANT AND EQUIPMENT *(continued)*

(b) The Company *(continued)*

	Buildings RMB'000	Generators and related machinery and equipment RMB'000	Motor vehicles, furniture, fixtures, equipment and others RMB'000	Total RMB'000
Accumulated depreciation:				
At 1 January 2005	1,388,668	5,387,368	176,098	6,952,134
Charge for the year	188,042	745,734	39,547	973,323
Written back on disposal	(340)	(403)	(3,656)	(4,399)
At 31 December 2005	1,576,370	6,132,699	211,989	7,921,058
At 1 January 2006	1,576,370	6,132,699	211,989	7,921,058
Charge for the year	200,497	730,964	39,351	970,812
Written back on disposal	(14,693)	(86,334)	(5,910)	(106,937)
At 31 December 2006	1,762,174	6,777,329	245,430	8,784,933
Net book value:				
At 31 December 2006	4,306,095	10,220,015	274,745	14,800,855
At 31 December 2005	2,426,222	8,350,365	257,008	11,033,595

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

14 CONSTRUCTION IN PROGRESS

	The Group		The Company	
	2006 RMB'000	2005 RMB'000	**2006 RMB'000**	2005 RMB'000
Balance at 1 January	**9,048,143**	2,876,732	**3,150,007**	696,249
Through acquisition of a subsidiary and proportionate consolidation of a jointly controlled entity *(note 32)*	**1,054,545**	2,046,274	**—**	—
Additions	**16,748,585**	6,117,175	**4,875,840**	2,654,628
Transferred to property, plant and equipment *(note 13)*	**(15,352,110)**	(1,992,038)	**(4,786,822)**	(200,870)
Transferred to subsidiaries	**—**	—	**(994,722)**	—
Balance at 31 December	**11,499,163**	9,048,143	**2,244,303**	3,150,007

15 LEASE PREPAYMENTS

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

16 INTANGIBLE ASSETS

(a) The Group

	Goodwill *RMB'000*	Negative goodwill *RMB'000*	Total *RMB'000*
Cost:			
At 1 January 2005	65,173	(10,998)	54,175
Opening balance adjustment in respect of IFRS 3	(20,742)	10,998	(9,744)
At 31 December 2005 and 2006	44,431	—	44,431
Accumulated amortisation:			
At 1 January 2005	20,742	(4,032)	16,710
Opening balance adjustment in respect of IFRS 3	(20,742)	4,032	(16,710)
At 31 December 2005 and 2006	—	—	—
Carrying amount:			
At 31 December 2005 and 2006	44,431	—	44,431

(b) The Company

	Goodwill *RMB'000*
Cost:	
At 1 January 2005	60,330
Opening balance adjustment in respect of IFRS 3	(14,873)
At 31 December 2005 and 2006	45,457
Accumulated amortisation:	
At 1 January 2005	14,873
Opening balance adjustment in respect of IFRS 3	(14,873)
At 31 December 2005 and 2006	—
Carrying amount:	
At 31 December 2005 and 2006	45,457

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

With effect from 1 January 2005, the Group no longer amortise goodwill. In accordance with the transitional provisions set out in IFRS 3, as at 1 January 2005, the accumulated amortisation of positive goodwill was eliminated against the cost of goodwill and negative goodwill was derecognised as at that date.

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

17 INTEREST IN SUBSIDIARIES

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Unlisted shares, at cost	**3,934,350**	2,327,813

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2006 are as follows:

Company	Paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
	RMB'000	%	%	%	
Sichuan Guangan Power Generation Company Limited ("Guangan Company")	1,395,260	80	80	—	Generation and sale of electricity
Huadian Qingdao Power Company Limited ("Qingdao Company")	700,000	55	55	—	Generation and sale of electricity and heat
Huadian Weifang Power Generation Company ("Weifang Company") *(note 32)*	1,250,000	45	45	—	Generation and sale of electricity
Huadian Zibo Power Company Limited	374,800	100	100	—	Generation and sale of electricity and heat
Huadian Zhangqiu Power Company Limited	480,750	84.45	84.45	—	Generation and sale of electricity and heat
Huadian Tengzhou Xinyuan Power Company Limited	245,000	88.16	88.16	—	Generation and sale of electricity and heat
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	119,000	90	90	—	Development of coal-fired power plant

17 INTEREST IN SUBSIDIARIES *(continued)*

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2006 are as follows: *(continued)*

		Proportion of ownership interest			
Company	**Paid up capital** *RMB'000*	**Group's effective interest** %	**held by the Company** %	**held by subsidiary** %	**Principal activities**
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	220,934	97	97	—	Development of coal-fired power plant
Huadian Ningxia Lingwu Power Generation Company Limited *(Note)*	150,000	65	65	—	Development of coal-fired power plant
Sichuan Huadian Luding Hydropower Company Limited *(Note)*	79,290	100	100	—	Development of hydro power plant
Jiangsu Huadian Binhai Wind Power Company Limited *(Note)*	10,000	100	100	—	Development of wind power plant
Huadian International Shandong Materials Company Limited	50,000	100	100	—	Procurement of materials
Huadian Qingdao Heat Company Limited	30,000	55	55	—	Sale of heat
Huadian International Shandong Project Company Limited	3,000	100	100	—	Management of construction project
Huadian International Shandong Information Company Limited *(Note)*	3,000	100	100	—	Development and maintenance of information system to the Group

Note: These companies were newly set up in 2006.

18 INTEREST IN ASSOCIATES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted shares, at cost	**—**	—	**1,408,033**	869,540
Share of net assets	**1,486,041**	918,211	**—**	—
	1,486,041	918,211	**1,408,033**	869,540

The particulars of the associates, which are limited liability companies established and operating in the PRC, at 31 December 2006 are as follows:

		Proportion of ownership interest			
Company	**Paid up capital**	**Group's effective interest**	**held by the Company**	**held by subsidiary**	**Principal activities**
	RMB'000	%	%	%	
Ningxia Power Generation Company (Group) Limited ("Ningxia Power Company")	900,000	31.11	31.11	—	Generation and sales of electricity and investment holding
Anhui Chizhou Jiuhua Power Generation Company Limited	640,000	40	40	—	Generation and sales of electricity
Huadian Property Co. Ltd. ("Huadian Property")	550,000	30	30	—	Property development
Sichuan Luzhou Chuannan Power Generation Company Limited	600,000	40	40	—	Development of coal-fired power plant
Huadian Coal Industry Group Company Limited ("Huadian Coal") *(Note (i))*	1,560,000	20.19	20.19	—	Provision of coal procurement service

18 INTEREST IN ASSOCIATES *(continued)*

The particulars of the associates, which are limited liability companies established and operating in the PRC, at 31 December 2006 are as follows: *(continued)*

Company	Paid up capital RMB'000	Proportion of ownership interest: Group's effective interest %	held by the Company %	held by subsidiary %	Principal activities
Zoucheng Lunan Electricity Technology Development Company Limited ("Zoucheng Lunan")	4,333	40	40	—	Provision of service to Zouxian Power Plant
China Huadian Finance Corporation Limited ("China Huadian Finance") *(Notes (i) and (ii))*	800,000	15	15	—	Provision of corporate financial service to its group companies
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	90,000	36	—	45	Development of coal mines and sales of coal

Notes:

(i) These companies were newly acquired in 2006.

(ii) The Group has appointed certain representatives in the board of China Huadian Finance and is able to exercise significant influence over the operating and financing policies of China Huadian Finance.

Summary financial information on associates

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profit RMB'000
2006					
100 percent	**24,054,523**	**(18,561,381)**	**5,493,142**	**4,030,355**	**153,014**
Group's effective interest	**6,718,440**	**(5,232,399)**	**1,486,041**	**1,210,703**	**39,683**
2005					
100 percent	10,980,517	(8,328,808)	2,651,709	698,358	37,270
Group's effective interest	4,236,672	(3,318,461)	918,211	324,096	16,636

19 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Unlisted interests, at cost	**142,800**	193,983

The particulars of a jointly controlled entity, which is a limited liability company established and operating in the PRC, at 31 December 2006 are as follows:

		Proportion of ownership interest			
Company	**Paid up capital**	**Group's effective interest**	**held by the Company**	**held by subsidiary**	**Principal activities**
	RMB'000	%	%	%	
Ningxia Zhongning Power Company Limited ("Zhongning Company") (formerly known as Ningxia Yinglite Zhongning Power Company Limited) *(Note 32)*	285,600	50	50	—	Generation and sale of electricity

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

	2006	2005
	RMB'000	*RMB'000*
Non-current assets	**998,256**	905,032
Current assets	**74,746**	57,025
Non-current liabilities	**(661,978)**	(269,879)
Current liabilities	**(200,542)**	(385,538)
Net assets	**210,482**	306,640
Revenue	**430,963**	336,631
Expenses	**(368,846)**	(326,143)
Profit for the year	**62,117**	10,488

20 OTHER INVESTMENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity securities, at cost	**135,539**	175,639	**130,539**	172,939

Other investments of the Group and the Company mainly include investment in Shandong Luneng Heze Coal Power Development Company Limited ("Heze Company") amounting to RMB91,339,000. The principal activities of Heze Company are the exploration and development of coalmine and coal-electricity base in Juye coalfield. The Group and Company own 12.27% equity interests in Heze Company as at 31 December 2006.

21 INVESTMENT DEPOSIT

On 26 September 2006, the Company entered into an investment agreement with China Huadian Corporation ("China Huadian") ("Investment Agreement") pursuant to which, the Company agreed to acquire from China Huadian 95% equity interests in Anhui Huadian Wuhu Power Company Limited ("Wuhu Company") for a consideration of RMB25.41 million. The investment deposit of RMB15.25 million represents the partial consideration paid to China Huadian pursuant to the Investment Agreement. Wuhu Company is principally engaged in the generation and sale of electricity in Anhui Province, the PRC.

The completion of the acquisition is subject to the approval by the relevant authorities in the PRC and the settlement of the balance of the consideration outstanding. The acquisition has been completed subsequent to the year end (see note 37).

22 INVENTORIES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Coal	**485,249**	343,374	**150,632**	181,111
Fuel oil	**55,021**	35,400	**25,230**	19,856
Materials, components and spare parts	**208,241**	180,073	**123,170**	112,557
	748,511	558,847	**299,032**	313,524

23 TRADE AND BILLS RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade and bills receivables for the sale of electricity	**1,540,962**	1,214,094	**530,084**	653,690
Trade and bills receivables for the sale of heat	**34,142**	49,238	**606**	627
	1,575,104	1,263,332	**530,690**	654,317

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

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

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year	**1,547,624**	1,247,413	**530,690**	654,317
Between one and two years	**11,578**	17	**—**	—
Between two and three years	**—**	1,594	**—**	—
More than three years	**15,902**	14,308	**—**	—
	1,575,104	1,263,332	**530,690**	654,317

24 GUARANTEE DEPOSITS

Guarantee deposits represent cash pledged as collateral for bills payable.

25 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**962,922**	845,554	**576,670**	484,486
Deposits with banks and other financial institutions	**5,000**	88	**—**	88
Cash and cash equivalent in the balance sheet	**967,922**	845,642	**576,670**	484,574

26 LOANS

(a) Bank loans

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within one year				
— short term bank loans	**9,143,902**	3,794,297	**4,436,902**	1,158,597
— current portion of long term bank loans	**1,721,053**	1,698,254	**969,930**	608,243
	10,864,955	5,492,551	**5,406,832**	1,766,840
Between one and two years	**1,812,420**	2,055,743	**884,880**	996,071
Between two to five years	**7,116,409**	5,315,555	**1,452,000**	2,127,687
After five years	**8,077,118**	2,414,593	**440,000**	—
	17,005,947	9,785,891	**2,776,880**	3,123,758
	27,870,902	15,278,442	**8,183,712**	4,890,598

26 LOANS *(continued)*

(a) Bank loans *(continued)*

All of the bank loans are unsecured, except for an amount of RMB3,900,500,000 (2005: RMB1,930,000,000) in respect of a subsidiary and a jointly controlled entity, which is secured by the income stream in respect of the sale of electricity of the subsidiary and the jointly controlled entity.

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

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Renminbi loans		
Floating interest rates mainly ranging from 5.02% to 6.39% per annum as at 31 December 2006 (2005: 4.70% to 6.12%), with maturities up to 2022	**20,843,430**	13,891,560
Fixed interest rates mainly ranging from 3.60% to 6.12% per annum as at 31 December 2006, with maturities up to 2011	**5,566,000**	—
US dollar loans		
Floating interest rates mainly ranging from 5.60% to 6.46% per annum as at 31 December 2006 (2005: 4.60% to 5.86%) with maturities up to 2017	**1,461,472**	1,386,882
	27,870,902	15,278,442

26 LOANS *(continued)*

(a) Bank loans *(continued)*

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Renminbi loans		
Floating interest rates mainly ranging from 5.02% to 6.16% per annum as at 31 December 2006 (2005: 4.70% to 5.51%), with maturities up to 2016	**5,019,310**	3,552,220
Fixed interest rates mainly ranging from 4.86% to 5.51% per annum as at 31 December 2006, with maturities up to 2007	**1,760,000**	—
US dollar loans		
Floating interest rates mainly ranging from 5.60% to 6.46% per annum as at 31 December 2006 (2005: 4.60% to 5.86%) with maturities up to 2008	**1,404,402**	1,338,378
	8,183,712	4,890,598

The Group and the Company have US dollar bank loans amounting to US$187,159,000 (2005: US$171,852,000) and US$179,851,000 (2005: US$165,842,000) respectively.

26 LOANS *(continued)*

(b) Loans from shareholders

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within one year				
— short term shareholder loans	**51,000**	—	**—**	—
— current portion of long term shareholder loans	**—**	175,000	**—**	175,000
	51,000	175,000	**—**	175,000
Between one and two years	**—**	—	**—**	—
Between two to five years	**585,000**	335,000	**585,000**	335,000
After five years	**750,000**	800,000	**—**	250,000
	1,335,000	1,135,000	**585,000**	585,000
	1,386,000	1,310,000	**585,000**	760,000

26 LOANS *(continued)*

(b) Loans from shareholders *(continued)*

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

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Loans from Shandong International Trust and Investment Corporation ("SITIC") *(Note)*		
Floating interest rate ranging from 5.27% to 5.83% per annum as at 31 December 2006 (2005: 5.27% to 5.85%) with maturities up to 2011	**585,000**	760,000
Fixed interest rates of 5.27% per annum as at 31 December 2006, with maturities up to 2007	**51,000**	—
Loans from China Huadian *(Note)*		
Fixed interest rate ranging from 4.15% to 5.40% per annum as at 31 December 2006 (2005: 4.98%) with maturities up to 2021	**750,000**	550,000
	1,386,000	1,310,000

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Loans from SITIC *(Note)*		
Floating interest rate ranging from 5.27% to 5.83% per annum as at 31 December 2006 (2005: 5.27% to 5.85%) with maturities up to 2011	**585,000**	760,000

Note: Loans from SITIC and China Huadian are unsecured, interest bearing based on their respective costs of funds and with repayment term as disclosed above.

26 LOANS *(continued)*

(c) State loans

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within one year	**10,005**	9,584	**10,005**	9,584
Between one and two years	**10,792**	10,340	**10,792**	10,340
Between two to five years	**41,155**	36,374	**39,791**	36,169
After five years	**22,477**	23,465	**16,341**	21,420
	74,424	70,179	**66,924**	67,929
	84,429	79,763	**76,929**	77,513

The state loans mainly represent an US dollar state loan amounting to US$8,417,000 (2005: US$9,605,000), which is guaranteed by Shandong Electric Power (Group) Corporation ("SEPCO") and bears a floating interest rate of 5.51% per annum (2005: 3.77%), with maturities up to 2012 and a new RMB loan amounting to RMB11,200,000, which is unsecured and bears a fixed interest rate of 2.55% per annum, with maturity up to 2020.

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

In 2006, the Group further obtained a state loan of RMB11.2 million from Ministry of Finance of the PRC as funding for certain environmental and comprehensive resources utilisation construction projects.

26 LOANS *(continued)*

(d) Other loans

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within one year				
— short term other loans	**877,500**	300,000	**50,000**	42,000
— current portion of long term other loans	**698,020**	98,623	**500,000**	—
	1,575,520	398,623	**550,000**	42,000
Between one and two years	**252,221**	828,623	**198,037**	700,000
Between two to five years	**531,810**	537,024	**100,000**	198,037
After five years	**47,024**	—	**—**	—
	831,055	1,365,647	**298,037**	898,037
	2,406,575	1,764,270	**848,037**	940,037

26 LOANS *(continued)*

(d) Other loans *(continued)*

All of the other loans are denominated in RMB, except for an US dollar loan of the Group amounting to US$8,078,000 (2005: US$10,384,000), and unsecured. Details of the interest rates and maturity dates of other loans are as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 5.18% to 6.16% per annum as at 31 December 2006 (2005: 5.02% to 5.27%) with maturities up to 2021	**1,240,037**	1,288,037
Fixed interest rates ranging from 5.02% to 5.51% per annum as at 31 December 2006, with maturities up to 2007	**400,000**	—
Others		
Floating interest rates ranging from 5.00% to 7.02% per annum as at 31 December 2006 (2005: 5.27% to 5.30%) with maturities up to 2010	**376,617**	476,233
Fixed interest rates ranging from 5.27% to 5.76% per annum as at 31 December 2006, with maturities up to 2010	**389,921**	—
	2,406,575	1,764,270

26 LOANS *(continued)*

(d) Other loans *(continued)*

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 5.18% to 5.67% per annum as at 31 December 2006 (2005: 5.18%) with maturities up to 2009	**798,037**	898,037
Loans from a subsidiary		
Floating interest rate of 5.27% per annum as at 31 December 2006 (2005: 5.02%) with maturities up to 2007	**50,000**	42,000
	848,037	940,037

27 TRADE AND BILLS PAYABLES

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

28 DEFERRED TAX ASSETS AND LIABILITIES

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

The Group:

	Assets		Liabilities		Net	
	2006	2005	**2006**	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Pre-operating expenses	**21,302**	8,431	**—**	—	**21,302**	8,431
Provision for inventories and receivables	**28,608**	25,461	**—**	—	**28,608**	25,461
Depreciation of property, plant and equipment	**—**	1,160	**(578,282)**	(369,489)	**(578,282)**	(368,329)
Fair value adjustment on property, plant and equipment and construction in progress	**—**	—	**(211,796)**	(76,590)	**(211,796)**	(76,590)
Expenses to be claimed on paid basis	**78,016**	34,923	**—**	—	**78,016**	34,923
Capitalisation of general borrowing costs	**—**	—	**(75,716)**	(19,007)	**(75,716)**	(19,007)
Others	**1,827**	2,159	**—**	—	**1,827**	2,159
	129,753	72,134	**(865,794)**	(465,086)	**(736,041)**	(392,952)
Set-off within legal tax units and jurisdictions	**(84,807)**	(25,916)	**84,807**	25,916	**—**	—
Net deferred tax liabilities	**44,946**	46,218	**(780,987)**	(439,170)	**(736,041)**	(392,952)

The Company:

	2006	2005
	RMB'000	*RMB'000*
Pre-operating expenses	**3,824**	1,227
Provision for inventories and receivables	**20,291**	20,067
Depreciation of property, plant and equipment	**—**	1,160
Expenses to be claimed on paid basis	**58,137**	28,372
Capitalisation of general borrowing costs	**(47,415)**	(12,605)
Others	**206**	—
Deferred tax assets	**35,043**	38,221

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

28 DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

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

The Group:

	Balance at 1 January 2005 RMB'000	Through acquisition of subsidiaries RMB'000	Charged to income statement RMB'000	Balance at 1 January 2006 RMB'000	Through acquisition of subsidiaries RMB'000	Through proportionate consolidation of jointly controlled entity RMB'000	Disposal of subsidiaries RMB'000	Charged to income statement RMB'000	Balance at 31 December 2006 RMB'000
Pre-operating expenses	12,537	—	(4,106)	8,431	—	—	—	12,871	21,302
Provision for inventories and receivables	26,289	—	(828)	25,461	3,182	—	(106)	71	28,608
Depreciation of property, plant and equipment	(302,433)	—	(65,896)	(368,329)	(100,280)	(4,060)	—	(105,613)	(578,282)
Fair value adjustment on property, plant and equipment and construction in progress	(56,387)	(26,259)	6,056	(76,590)	(151,650)	—	—	16,444	(211,796)
Expenses to be claimed on paid basis	26,677	—	8,246	34,923	—	—	—	43,093	78,016
Capitalisation of general borrowing costs	—	—	(19,007)	(19,007)	—	—	—	(56,709)	(75,716)
Others	2,185	—	(26)	2,159	—	—	—	(332)	1,827
	(291,132)	(26,259)	(75,561)	(392,952)	(248,748)	(4,060)	(106)	(90,175)	(736,041)
			(note 10(a))		(note 32(a))	(note 32(a))	(note 32(b))	(note 10(a))	

The Company:

	Balance at 1 January 2005 RMB'000	Charged to income statement RMB'000	Balance at 1 January 2006 RMB'000	Charged to income statement RMB'000	Balance at 31 December 2006 RMB'000
Pre-operating expenses	1,914	(687)	1,227	2,597	3,824
Provision for inventories and receivables	20,588	(521)	20,067	224	20,291
Depreciation of property, plant and equipment	1,160	—	1,160	(1,160)	—
Expenses to be claimed on paid basis	26,677	1,695	28,372	29,765	58,137
Capitalisation of general borrowing costs	—	(12,605)	(12,605)	(34,810)	(47,415)
Others	72	(72)	—	206	206
	50,411	(12,190)	38,221	(3,178)	35,043

(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

29 SHARE CAPITAL AND RESERVES

(a) The registered, issued and fully paid capital of the Company comprises 4,590,056,200 A shares of RMB1 each and 1,431,028,000 H shares of RMB1 each (2005: 4,021,056,200 unlisted domestic shares of RMB1 each, 569,000,000 A shares of RMB1 each and 1,431,028,000 H shares of RMB1 each). All shares rank pari passu in all material respects.

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

Pursuant to a notice issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented a share reform (the "Share Reform") on 28 July 2006. All holders of non-circulating shares transferred 3 shares for every 10 shares held by the registered holders of circulating A shares as at the book closing date of the implementation of the Share Reform (i.e. 28 July 2006), totalling 170,700,000 domestic shares. Effective from 1 August 2006, all domestic shares of the Company became eligible for listing and circulation on the Shanghai Stock Exchange. However, the 3,850,356,200 original domestic shares held by the original domestic shareholders are subject to a period of restriction for disposal imposed ranging from 1 to 3 years. In addition, the non-circulating shareholders of the Company have promised not to dispose of the shares further acquired in the A shares market totalling 43,764,920 shares after the Share Reform within 6 months from the date of purchase.

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

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

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. The Directors resolved to transfer 10% (2005: 10%) of the profit for the year ended 31 December 2006 to this reserve on 23 March 2007.

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

According to the notice issued by the Ministry of Finance of the PRC on accounting issues relating to the implementation of the Company Law (Cai Qi [2006] No. 67), the Company transferred the balance of the statutory public welfare fund as at 31 December 2005 to statutory surplus reserve.

29 SHARE CAPITAL AND RESERVES *(continued)*

(e) According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2006, the retained profits available for distribution were RMB2,442,686,000 (2005: RMB2,153,377,000), after taking into account the current year's proposed final dividend (see note 11) and the transfer to the statutory surplus reserve and the statutory public welfare fund according to the Company's Articles of Association.

(f) Revaluation reserve represents the fair value adjustment of acquisition of Weifang Company (see note 32) relating to previously held interest of the Group.

(g) The profit attributable to ordinary equity shareholders for 2006 includes a profit of RMB737,561,000 (2005: RMB802,298,000) which has been dealt with in the financial statements of the Company.

30 MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

	Note	**2006** ***RMB'000***	2005 *RMB'000*
Construction costs and equipment costs paid and payable to entities controlled by the holding company	(i)	**267,099**	17,109
Interest expenses	(ii)	**162,861**	97,820
Loans obtained from related parties	(iii)	**1,898,000**	1,293,037
Loans repaid to related parties	(iii)	**1,092,500**	683,037
Service fee paid to Huadian Coal	(iv)	**26,000**	—

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Notes:

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

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

In November 2005, the Company and Weifang Company entered into construction agreements with China Huadian Engineering in respect of construction work of waste-water recycling systems for considerations of RMB76,658,000 and RMB50,900,000 respectively.

In April 2005, Xinxiang Company entered into a construction agreement with China Huadian Engineering in respect of construction work of coal transportation systems for a consideration of RMB195,185,000.

In May 2005, Xinxiang Company entered into a purchasing agreement with China Huadian Engineering in respect of the procurement of pipelines for constructions for a consideration of RMB99,987,820.

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

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

(iv) *Service fee represented amounts paid to Huadian Coal for provision of management and co-ordination services in relation to coal procurement in the PRC. The service fee for the year of 2006 amounted to RMB26,000,000.*

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

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

(vii) *In April 2006, the Company injected RMB315 million to the registered capital of Huadian Coal, which was originally a wholly owned subsidiary of China Huadian, for part of the capital enlargement. After the completion of the capital enlargement of Huadian Coal, the Company owns 20.19% equity interests in Huadian Coal.*

(viii) *In December 2006, the Company contributed RMB147.36 million to China Huadian Finance, a subsidiary of China Huadian, to participate in the capital enlargement of China Huadian Finance, the Company owns 15% equity interests in China Huadian Finance.*

30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

Notes: (continued)

(ix) The Company paid investment deposit to China Huadian to acquire 95% equity interests in Wuhu Company. For details, please refer to note 21.

(x) At 31 December 2006, Zhongning Company, the jointly controlled entity of the Group, provided guarantees to banks for loans granted to Ningxia Power, an associate of the Group, amounting to RMB42,500,000 (2005: RMB Nil).

(xi) At 31 December 2006, Guangan Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Lougtan Coal, an associate of the Group, amounting to RMB73,400,000 (2005: RMB Nil).

(b) Transactions with key management personnel

Remuneration for key management personnel, including amounts paid to the Company's directors and supervisors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	2006	2005
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,968**	1,481
Retirement benefits	**211**	229
Bonuses	**3,508**	4,371
	5,687	6,081

Total remuneration is included in "personnel costs" (see note 4).

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. The details of the Group's employee benefits plan are disclosed in note 31. As at 31 December 2006, there was no material outstanding contribution to post-employment benefit plans.

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30 MATERIAL RELATED PARTY TRANSACTIONS *(continued)*

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

The Group operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Apart from transactions mentioned in notes 30(a), (b) and (c), the Group has transactions with other state-controlled entities include but not limited to the following:

— sales of electricity;

— depositing and borrowing money; and

— purchase of construction materials and receiving construction work services.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state controlled. The Group has established its approval process for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval process and financing policy do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions require disclosure as related party transactions:

	2006	2005
	RMB'000	*RMB'000*
Sale of electricity to the grid	**14,835,072**	13,034,607
Interest expenses	**879,254**	372,553
Purchase of construcion materials and receiving construction work service	**15,682,436**	5,843,746
Receivables from sale of electricity	**1,540,966**	1,214,094
Loans payables	**20,987,524**	7,798,352
Cash at bank	**951,218**	751,431
Prepayments	**5,710,304**	5,914,501
Trade and other payables	**3,997,342**	862,141

31 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at a rate of 20% (2005: 20%) of the total staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group established a defined contribution retirement plan, also operated by the State to supplement the above-mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB167,907,000 during the year (2005: RMB149,357,000) which was charged to the consolidated income statement.

32 ACQUISITION OF A SUBSIDIARY, PROPORTIONATE CONSOLIDATION OF A JOINTLY CONTROLLED ENTITY AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of a subsidiary, proportionate consolidation of a jointly controlled entity

In January 2006, the Company increased its equity interests in Weifang Company from 30% to 45% at a consideration of RMB629.5 million, satisfied in cash. Pursuant to the revised articles of association of Weifang Company, the Company has obtained the power to govern the financial and operating policies of Weifang Company and therefore, Weifang Company changed from a jointly controlled entity to a subsidiary of the Group. The Group changed from adopting proportionate consolidation accounting method to consolidation accounting method to account for its investment in Weifang Company in the preparation of the consolidated financial statements thereafter.

In 2006, Zhongning Company amended its articles of association. Pursuant to the revised articles of association, the Group and Ningxia Power Company, an associate of the Group, jointly controlled Zhongning Company and therefore, Zhongning Company changed from an associate to a jointly controlled entity of the Group. The Group changed from adopting equity method to proportionate consolidation method to account for its investment in Zhongning Company in the preparation of the consolidated financial statements thereafter.

32 ACQUISITION OF A SUBSIDIARY, PROPORTIONATE CONSOLIDATION OF A JOINTLY CONTROLLED ENTITY AND DISPOSAL OF SUBSIDIARIES *(continued)*

(a) Acquisition of a subsidiary, proportionate consolidation of a jointly controlled entity *(continued)*

The fair value of assets acquired and liabilities assumed were as follows:

	Pre-acquisition carrying amounts *RMB'000*	Fair value adjustments *RMB'000*	Recognised values on acquisitions *RMB'000*
Property, plant and equipment *(note 13(a))*	2,039,255	232,835	2,272,090
Construction in progress *(note 14)*	1,054,545	—	1,054,545
Lease prepayments	78,547	—	78,547
Other investments	3,500	—	3,500
Inventories	36,088	—	36,088
Deposits, other receivables and prepayments	2,255	—	2,255
Trade receivables	114,262	—	114,262
Cash and cash equivalents	675,149	—	675,149
Trade payables	(101,885)	—	(101,885)
Other payables	(109,717)	—	(109,717)
Tax payable	(3,366)	—	(3,366)
Loans	(2,270,732)	—	(2,270,732)
Deferred government grants	(33,530)	—	(33,530)
Deferred tax liabilities *(note 28)*	(179,377)	(73,431)	(252,808)
Minority interests	(612,838)	(81,997)	(694,835)
Net identifiable assets and liabilities	692,156	77,407	769,563
Revaluation reserve *(note 29(f))*			(44,726)
			724,837
Less: Reclassification from investment in associate			(95,337)
Consideration paid			629,500
Less: Cash and cash equivalents acquired			(675,149)
Net cash inflow			(45,649)

The acquisition and proportionate consolidation of a jointly controlled entity contributed turnover amounting to RMB1,288,502,000 and profit after tax amounting to RMB122,850,000 for the year ended 31 December 2006.

32 ACQUISITION OF A SUBSIDIARY, PROPORTIONATE CONSOLIDATION OF A JOINTLY CONTROLLED ENTITY AND DISPOSAL OF SUBSIDIARIES *(continued)*

(b) Disposal of subsidiaries

In January 2006, two subsidiaries, Zoucheng Lunan and Shiliqan Electricity Enterprise Company Limited ("Shiliquan Enterprise") reclaimed their equity from the Group at a consideration of RMB2,891,000, satisfied in cash. Upon completion of the redemption, the Group's interests in Zouchen Lunan and Shiliquan Enterprise decreased from 90% to 40% and from 90% to 0% respectively.

The redemption had the following effect on the Group's assets and liabilities:

	RMB'000
Property, plant and equipment *(note 13(a))*	5,163
Other investments	1,200
Deferred tax assets *(note 28)*	106
Deposits, other receivables and prepayments	18,074
Cash and cash equivalents	4,798
Other payables	(22.159)
Other net assets	3.676
Minority interests	(5,973)
Net identifiable assets and liabilities	4,885
Add: Gain on disposal of subsidiaries	395
Less: Cash and cash equivalents disposed	(4,798)
Reclassification to investment in associate	(2,389)
Other receivables	(2,400)
Net cash flow	(4,307)

33 COMMITMENTS

(a) Capital commitments

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

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for				
— Development of power plants	**8,972,415**	12,188,311	**1,458,833**	5,206,305
— Investments	**170,160**	461,800	**2,738,863**	1,589,700
— Improvement projects and others	**145,256**	216,687	**104,013**	201,537
	9,287,831	12,866,798	**4,301,709**	6,997,542
Authorised but not contracted for				
— Development of power plants	**6,349,517**	12,726,711	**615,786**	5,703,750
— Improvement projects and others	**204,159**	762,482	**117,889**	499,836
	6,553,676	13,489,193	**733,675**	6,203,586
	15,841,507	26,355,991	**5,035,384**	13,201,128

At 31 December 2006, the Group did not have any proportionate share of the jointly controlled entity's capital expenditure commitments (2005: RMB1,058,502,000).

(b) Operating lease commitments

At 31 December 2006, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	The Group and the Company	
	2006	2005
	RMB'000	*RMB'000*
Within one year	**31,674**	33,978
After one year but within five years	**120,712**	120,712
After five years	**472,789**	502,967
	625,175	657,657

Pursuant to an agreement entered into with the State, the Company is leasing certain land from the State for a term of 30 years with effect from 1 September 1997. The current annual rental effective from 1 January 2001 is RMB30,178,000. The annual rental will be adjusted every five years thereafter with an upward adjustment of not more than 30% of the previous year's rental and there has been no adjustment in annual rental in 2006. The future minimum lease payments in respect of the land is calculated based on the existing annual rental of RMB30,178,000.

34 CONTINGENT LIABILITIES

Apart from guarantees provided by the Group as disclosed in note 30(a), at 31 December 2006, the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB462,911,000 (2005: RMB876,911,000).

35 FINANCIAL INSTRUMENTS

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

(a) Interest rate risks

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

(b) Credit risks

Substantially all of the Group's cash and cash equivalents are deposited with the four largest state-controlled banks of the PRC.

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

	2006	2005
	RMB'000	*RMB'000*
Sale of electricity to:		
SEPCO	**12,775,858**	11,402,256
Sichuan Electric Power Corporation	**1,628,251**	1,632,351
Ningxia Electric Power Company	**430,963**	—
Receivables from sale of electricity:		
SEPCO	**1,166,477**	974,809
Sichuan Electric Power Corporation	**325,600**	239,285
Ningxia Electric Power Company	**48,885**	—

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

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

(c) Foreign currency risk

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

The Group used forward contracts to hedge certain anticipated loan repayment and interest expenses. Changes in the fair value of these derivative financial instruments are recognised in profit or loss (see note 6). The net fair value of these derivative financial instruments at 31 December 2006 was RMB3,354,000 (2005: RMB10,030,000), recognised as financial assets.

35 FINANCIAL INSTRUMENTS *(continued)*

(d) Liquidity risk

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

(e) Fair value

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

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

The carrying values of the Group's current financial assets and liabilities approximate to their fair values due to the relatively short-term nature of these instruments.

The forward exchange contracts are stated at their fair values based on quoted market price.

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

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

36 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment for non-current assets

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

(b) Depreciation

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

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(Expressed in Renminbi)

36 ACCOUNTING ESTIMATES AND JUDGEMENTS *(continued)*

(c) Impairment for bad and doubtful debts

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

37 NON-ADJUSTING POST BALANCE SHEET EVENTS

(a) On 16 March 2007, the Tenth National People's Congress ("NPC") plenary session passed the enterprise income tax law ("New Tax Law") that imposes a single uniform income tax rate of 25% for most enterprises. The New Tax Law will be effective as of 1 January 2008. The New Tax Law contemplates various transition periods and measures for existing preferential tax policies and empowers the State Council to enact appropriate implementing rules. As a result, the Group currently cannot assess the impact of the New Tax Law on its deferred tax assets and liabilities and the related impact on income statement.

(b) On 26 September 2006, the Company entered into the Investment Agreement with China Huadian (see note 22), pursuant to which the Company proposed to acquire the 95% equity interests in Wuhu Company from China Huadian at a consideration of RMB25.41 million. The transaction was approved by relevant state authorities on 30 December 2006. In January 2007, the Company paid up the consideration for this acquisition and hence the acquisition was completed. The Group will consolidate Wuhu Company.

(c) After the balance sheet date, the directors proposed a final dividend. Further details have been disclosed in note 11(a).

38 PARENT AND ULTIMATE HOLDING COMPANY

The directors of the Company consider its parent and ultimate holding company to be China Huadian, which is a state-owned enterprise established in the PRC. China Huadian does not produce financial statements available for public use.