The board of directors (the "Board") of Huadian Power International Corporation Limited (the "Company") hereby presents the unaudited consolidated interim financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 (the "Period"), as prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". Although the Group's interim financial report for the six months ended 30 June 2007 was unaudited, it has been reviewed by KPMG, the international auditors of the Company, in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by Hong Kong Institute of Certified Public Accountants. KPMG's unmodified independent review report to the Board is set out on page 49. The Company's Audit Committee has also reviewed the Group's 2007 interim report and its relevant financial information.

INTERIM RESULTS AND INTERIM DIVIDEND

During the Period, profit after taxation attributable to equity shareholders of the Company amounted to approximately RMB543 million, representing an increase of 1.38% over the corresponding period in 2006. Earnings per share were approximately RMB0.090.

The Board of the Company decided not to declare any interim dividend for the six months ended 30 June 2007.

BUSINESS REVIEW

Power generation

The Group operated commendably on the whole during the Period, maintaining a steady growth in both power generated and business revenue. Net profit, with a slight increase, held the line of the corresponding period in 2006. Projects under construction and preliminary projects are in smooth progress, and the level of energy saving and environmental protection witnessed a further improvement.

During the Period, power generated by the Group, on the same consolidation basis as that of the financial statement, amounted to 28.90 million MWh, representing an increase of approximately 22.05% over the corresponding period in 2006; the average utilization hours of power generating facilities of the Group were 2,225 hours, representing a decrease of 425 hours over the corresponding period in 2006.

The Group is one of the largest listed power-generating group companies in the PRC. As at the date of this report, the total installed capacity controlled or invested by the Group and the Group's total interested installed capacity amounted to 18,328.7MW and 14,520MW respectively. Details are set out as follows:

Power plants/ Companies	Capacity (MW) (as at the date of this report)	Equity interest held by the Company	Combination of generating units	Notes
Zouxian Plant *(Note 1)*	4,540	100%	2 x 1,000MW + 2 x 600MW + 4 x 335MW	
Shiliquan Plant	1,300	100%	2 x 300MW + 5 x 140MW	
Laicheng Plant	1,200	100%	4 x 300MW	
Huadian Weifang Power Generation Company Limited ("Weifang Company") *(Note 1)*	2,000	45%	2 x 670MW + 2 x 330MW	
Huadian Qingdao Power Company Limited ("Qingdao Company")	1,260	55%	4 x 300MW + 60MW	
Huadian Zibo Power Company Limited ("Zibo Company")	467	100%	2 x 145MW + 2 x 88.5MW	
Huadian Zhangqiu Power Company Limited ("Zhangqiu Company") *(Note 3)*	890	87.5%	2 x 300MW + 2 x 145MW	
Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Company") *(Note 2)*	930	88.16%	2 x 315MW + 2 x 150MW	
Sichuan Guangan Power Generation Company Limited ("Guangan Company") *(Note 1)*	2,400	80%	2 x 600MW + 4 x 300MW	

Power plants/ Companies	Capacity (MW) (as at the date of this report)	Equity interest held by the Company	Combination of generating units	Notes
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	—	97%	—	2 x 600MW generating units under construction
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	—	95%	—	2 x 660MW generating units under construction
Anhui Chizhou Jiuhua Power Generation Company Limited	600	40%	2 x 300MW	
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company") *(Note 4)*	—	78%	—	2 x 12.5MW generating units under construction
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company") *(Note 1)*	660	90%	1 x 660MW	1 x 660MW generating unit under construction
Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company") *(Note 1)*	600	65%	1 x 600MW	1 x 600MW generating unit under construction

Power plants/ Companies	Capacity (MW) (as at the date of this report)	Equity interest held by the Company	Combination of generating units	Notes
Ningxia Zhongning Power Company Limited ("Zhongning Company")	660	50%	2 x 330MW	
Ningxia Power Generation (Group) Company Limited ("Ningxia Power Company")	1,481.7	31.11%	4 x 330MW + 161.7MW	161.7MW wind power 4 x 330MW thermal power
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	—	40%	—	2 x 600MW generating units under construction
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	—	100%	—	4 x 230MW hydropower generating units under construction
Jiangsu Huadian Binhai Wind Power Company Limited	—	100%	—	wind power generating units with 200MW planned capacity
Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company") *(Note 5)*	—	100%	—	45MW wind generating units under construction
Total installed capacity controlled or invested *(Note 6)*	18,328.7			
Total interested installed capacity *(Note 7)*	14,520			

Note 1: The first 660MW generating unit of Xinxiang Company Baoshan Phase I Project , the first 600MW generating unit of Lingwu Company Greenfield Project, the second 670MW generating unit of Weifang Company Phase II Expansion Project, the second 600MW generating unit of Guangan Company Phase III Project and the second 1,000 MW generating unit of Zouxian Plant Phase IV Expansion Project have each completed 168 hours trial operation in full load capacity on 19 April, 8 June, 9 June, 30 June and 5 July 2007 respectively as required by the State.

Note 2: *The No.4 generating unit of Tengzhou Company was shut down smoothly on 29 June 2007, and the shut-down capacity reached 33MW.*

Note 3: *The Company's shareholding in Zhangqiu Company changed from 84.45% to 87.5% with effect from 8 June 2007.*

Note 4: *Suzhou Biomass Energy Company was incorporated on 15 June 2007, in which the Company holds 78% equity interest and has been included into the Group's consolidated financial statements since its incorporation.*

Note 5: *Ningdong Wind Power Company was incorporated on 19 March 2007, in which the Company holds 100% equity interest and has been included into the Group's consolidated financial statements since its incorporation.*

Note 6: *The aggregate total installed capacities of the Company, its subsidiaries, jointly controlled entity and associates, of which the capacity of Ningxia Power Company was aggregated by excluding the capacity of 660MW of Zhongning Company, a jointly controlled entity with 50% equity interest held by Ningxia Power Company.*

Note 7: *The aggregate proportionate installed capacities of the Company and companies controlled or invested by the Company, based on the respective percentage equity interest held by the Company, of which 31.11% of the 1,116.75MW interested capacity of Ningxia Power Company was included.*

During the Period, the Group's generating units were operating safely and stably. Qingdao Company, Tengzhou Company and Zibo Company managed by the Group had recorded continuous safe production over 3,200 days; Zouxian Plant, Weifang Company and Laicheng Plant had recorded continuous safe production for over 2,400 days; and Zhangqiu Company had recorded continuous safe production for over 1,700 days.

In the Large-scale Thermal Power Units Competition of the PRC in 2007, Unit No.6 of Zouxian Plant of the Group won the first-class award for the 600MW generating unit category and was awarded the "National golden award for reliable power generation unit"; and Units No. 4 and No.5 of Shiliquan Plant of the Group won the first-class and third-class awards under the category of 100MW generating unit respectively.

MAJOR OPERATING STATISTICS

The table below sets out the major operating statistics of the Group's power plants during the first half of 2007:

Items	Zouxian Plant	Shiliquan Plant	Laicheng Plant	Qingdao Company	Weifang Company	Zibo Company	Zhangqiu Company	Tengzhou Company	Guangan Company	Xinxiang Company	Lingwu Company	Total
Interest owned (%)	100	100	100	55	45	100	87.5	88.16	80	90	65	—
Installed capacity (MW)	4,540	1,300	1,200	1,260	2,000	467	890	930	2,400	660	600	16,247
Average utilization hours	2,127	2,368	2,385	2,252	2,234	2,689	2,135	2,341	2,041	1,144	3,523	2,225
Total amount of electricity generated (million MWh)	7.53	3.08	2.86	2.84	3.15	1.26	1.90	2.25	3.68	0.09	0.26	28.90
Total amount of electricity supplied (million MWh)	7.07	2.88	2.70	2.62	2.95	1.10	1.76	2.09	3.43	0.09	0.23	26.92

INFRASTRUCTURE CONSTRUCTION PROJECTS AND FUTURE DEVELOPMENT PROJECTS

All of the Group's projects under construction have been progressing smoothly as scheduled. To date, five new generating units of the Group have commenced commercial operations in 2007. The first 660MW generating unit of Xinxiang Company (in which the Company holds 90% equity interest) Baoshan Phase I Project, the first 600MW generating unit of Lingwu Company (in which the Company holds 65% equity interest) Greenfield Project, the second 670MW generating unit of Weifang Company (in which the Company holds 45% equity interest) Phase II Expansion Project, the second 600MW generating unit of Guangan Company (in which the Company holds 80% equity interest) Phase III Project and the second 1,000MW generating unit of Zouxian Plant (which is owned by the Company) Phase IV Expansion Project have each completed 168 hours trial operation in full load capacity on 19 April, 8 June, 9 June, 30 June and 5 July 2007 respectively as required by the State. All of the above-mentioned units are large-capacity, high efficient, energy-saving and environment-friendly generating units, the operation of which will play an important role in improving the management ability and profitability of the Company. All these newly-operated generating units adopted the local benchmark on-grid tariffs. In addition, a tariff rise of RMB15/WMh based on the original electricity tariffs, resulting from desulphurization, was implemented for Unit No.1 of Lingwu Company, Units No.3 and No.4 of Weifang Company and Units No.1 to No.6 of Guangan Company.

In the first half of 2007, the Company continued to strengthen its effort on environmental protection. Up to date, 36 generating units with desulphurisation system with a total capacity of 13,970MW have commenced operation, representing 76.2% of the total installed capacity of the Group, which resulted in an annual sulphur dioxide reduction capacity of 500,000 tonnes. In addition, responding to the State policy of "Developing large projects and cutting small projects", the Group has shut down part of its small-scale thermal power capacity. In the first half of 2007, a capacity of 33MW had been shut down. In the second half of 2007, the Group will further shut down a capacity of 25MW.

1. Construction in progress

To date, the Group's projects under construction include: one 600MW generating unit of Lingwu Company, two 600MW generating units of Suzhou Company Phase I Project, one 660MW generating unit of Xinxiang Company Baoshan Phase I Project, two 660MW generating units of Wuhu Company, two 600MW generating units of Luzhou Company, four 230MW hydropower generating units of Luding Hydropower Company, 45MW wind power generating units of Ningdong Wind Power Company and two 12.5MW straw power generating units of Suzhou Biomass Energy Company. The above generating units are expected to be put into operation successively from the second half of 2007 to 2009.

2. Preliminary projects

During the first half of 2007, the Company strengthened the reserve and development of preliminary projects in light of its strategy of "Expanding nationally with a global view based on strongholds in Shandong", laying the foundation for its sustainable development. The Company has reserved power projects including thermal power, hydroelectric power, wind power, biomass power and nuclear power, with a total capacity of 24,000MW in Shandong, Sichuan, Henan, Anhui, Ningxia, Jiangsu, Hebei and Tianjin, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

Macro economy and demand on electricity

According to the statistics of the National Bureau of Statistics of China, in the first half of 2007, the gross domestic product ("GDP") of the PRC amounted to RMB10,676.8 billion, representing an increase of 11.5% over the corresponding period in 2006 based on comparable prices. Power consumption of the whole society totalled 1,515 million MWh, representing an increase of 15.56% over the corresponding period in 2006, of which the consumption of the primary, secondary and tertiary industries were 39.3 million MWh, 1,166.4 million MWh and 145.1 million MWh, reprsenting an increase of 2.67%, 17.18% and 12.16% over the corresponding period in 2006 respectively.

Currently, the Group's power generating units in operation or under construction are located in Shandong, Sichuan, Ningxia, Anhui and Henan Provinces / Autonomous Region, which are areas with fast-growing economy and considerable GDP growth in recent years. Based on comparable prices, the GDP growth rates of Shandong, Sichuan, Ningxia, Anhui and Henan Provinces / Autonomous Region in the first half of 2007 reached 14.7%, 13.7%, 12.8%, 13.2% and14.7% respectively, which are higher than the national average by 3.2, 2.2, 1.3, 1.7 and 3.2 percentage points, respectively.

Turnover and profit

During the Period, the total volume of electricity sold by the Group to the power grids was 26.92 million MWh, representing an increase of 21.52% over the corresponding period in 2006. The increase was mainly due to the growth in the volume of power generated by the newly installed generating units. During the Period, the turnover of the Group amounted to approximately RMB8,539 million, representing an increase of approximately 23.55% over the corresponding period in 2006. This was mainly due to the increase in the volume of power generated and the increased by approximately 1.79% in the average on-grid electricity tariff. Revenue from the sale of electricity amounted to approximately RMB8,357 million, representing an increase of 23.78% over the corresponding period in 2006. Revenue from sale of heat amounted to approximately RMB182 million, representing an increase of 13.61% over the corresponding period in 2006.

For the Period, the Group's operating profit during the Period amounted to approximately RMB1,192 million, representing an increase of approximately 13.35% over the corresponding period in 2006. Profit after taxation attributable to equity shareholders of the Company amounted to approximately RMB543 million, representing an increase of approximately 1.38% over the corresponding period in 2006. Earnings per share were approximately RMB0.090 and net assets value per share (excluding minority interests) amounted to approximately RMB2.27.

Operating expenses

During the Period, the operating expenses of the Group amounted to approximately RMB7,347 million, representing an increase of about 25.38% when compared with the corresponding period in 2006. This was attributable to the growth in the volume of power generated and the coal price hike.

The major operating expense of the Group was the cost of coal. The cost of coal of the Group during the Period was approximately RMB4,828 million, representing an increase of 28.35% over the corresponding period in 2006; the unit cost of coal of the Group was approximately RMB173.33/MWh, representing an increase of approximately 6.03% over the corresponding period in 2006. These were due to the coal price hike and the growth in the volume of power generated.

During the Period, depreciation and amortization expenses of the Group amounted to RMB1,290 million, representing an increase of approximately RMB395 million or 44.15% over the corresponding period in 2006. This was mainly due to the increase in depreciated assets as a result of the new generating units being put into operation.

During the Period, the Group had undertaken a total of 4 major overhauls and 17 minor overhauls for its generating units, representing a planned overhaul rate of 5.77%. Major overhaul expenses of the Group amounted to approximately RMB149 million, representing an increase of approximately RMB24.12million or 19.37% over the corresponding period in 2006. The increase was mainly attributable to the newly installed generating units.

During the Period, repairs and maintenance expenses of the Group amounted to approximately RMB88.57 million, representing an increase of approximately RMB20.80 million, or 30.70%, over corresponding period in 2006. However, the percentage of growth in repairs and maintenance expenses was relatively lower than that in power generation capacity, which was mainly attributable to the newly installed generating units.

During the Period, personnel costs of the Group amounted to approximately RMB458 million, representing a decrease of approximately RMB82.45 million, or 15.25%, from the corresponding period in 2006.

During the Period, administrative expenses of the Group amounted to approximately RMB266 million, representing an increase of approximately RMB23.27 million or 9.6%, compared with the corresponding period in 2006. This was mainly due to the increase in the relevant expenses such as property tax, technical supervision service fee and slag transportation costs for the newly-operated generating units.

During the Period, other operating expenses of the Group amounted to approximately RMB175 million, representing an increase of RMB34.66 million or 24.63% over the corresponding period in 2006. This was mainly due to an increase in fuel oil cost, water expenses for power generation, electricity expense incurred at the water source and operation engagement fees for the newly-operated generating units.

Finance costs

During the Period, net finance costs of the Group amounted to approximately RMB561 million, representing an increase of approximately 146.64% when compared with the corresponding period of 2006, of which interest expenses (net of interest capitalization) amounted to RMB594 million, representing an increase of approximately 123.77% when compared with the corresponding period of 2006. This was mainly attributable to the increased loan amount, the increased proportion of interest in relation to the loans for the newly-operated generating units charged to income statement and the series of interest rate hikes since 2006.

Indebtedness

As at 30 June 2007, borrowings of the Group amounted to RMB34,115 million, of which loans denominated in US dollars amounted to approximately US$202 million. The short-term debentures amounted to approximately RMB3,911 million and the gearing ratio (that is total liabilities / total assets) was approximately 72.99%.

Details of bank borrowings and other borrowings of the Group and the Company as at 30 June 2007 are set out in notes 15 and 16 to the interim financial report (prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting") of the report.

Cash and cash equivalents

As at 30 June 2007, cash and cash equivalents owned by the Group amounted to approximately RMB735 million.

Save as the information disclosed herein, information in respect of the Group's other matters as set out in paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") has not changed materially from that included in the Company's 2006 annual report.

BUSINESS PURSUITS

According to the relevant statistics, the national economy is expected to grow continuously, stably and persistently in 2007 while the demand for power is expected to expand relatively quickly. Meanwhile, the State will advance towards an energy efficient and environment-friendly society. With remarkable improvement in various strengths after years of development, the Group is well placed to consolidate and maintain its competitive advantages in the PRC by capitalizing on its high proportion of environment-friendly generating units with large capacity and high efficiency.

The major objectives of the Group in the second half of 2007 are as follows:

1. To ensure safe and stable operation of the Group's power plants, to achieve the Group's operation targets for 2007, to control costs stringently and maintain the leading position in the industry in terms of various technological and economic performance indicators.

2. To ensure smooth construction progress and timely operation in respect of existing construction, to ensure effective control on construction speed, quality of the construction and ensure control on unit cost.

3. To drive preliminary projects of the Group forward, to further optimize power source structure and regional structure, to actively develop new energy projects, to accelerate the development of hydroelectricity projects, and to boost the construction and development of wind power projects.

4. To take advantage of power source projects of China Huadian Corporation ("China Huadian") across the PRC, to seek exploration and construction of new projects, and to speed up the Group's expansion in domestic power generation business.

5. To strengthen control on cost of coal and further enhance long-term strategic partnerships with coal mines so as to improve coal quality and secure coal supply; to actively strengthen strategic cooperation with large-scaled coal mining enterprises.

6. To adhere to low cost strategies to enhance the Company's profitability.

7. To actively explore multiple debt financing methods for reduction of financing costs so as to meet future financial needs of the Group's continuous development.

SIGNIFICANT EVENTS

(1) Issue of the First Tranche of Short-term Debentures

In accordance with the Management Measures for Short-term Debentures and the relevant documents from the People's Bank of China, the Company issued the 2007 first tranche of short-term debentures on the nationwide inter-bank bond market on 8 May 2007. The short-term debentures were issued at a discount, totalling RMB4 billion, with an issue price of RMB97.54, a par value of RMB100, an annual interest rate of 3.38 % and a term of 272 days. The short-term debentures were publicly issued on the nationwide inter-bank bond market by way of book building and centralised placing with the Industrial and Commercial Bank of China Limited as the lead underwriter responsible for assembling an underwriting syndicate. The issue of such short-term debentures effectively reduced the financing cost of the Company, and is expected to bring down the Company's financial cost by RMB44.32 million for the whole year. For details, please refer to relevant announcements dated 26 April 2007 and 9 May 2007.

(2) Continuing Connected Transactions with Huadian Coal Industry Group Co., Ltd. ("Huadian Coal")

On 28 June 2007, the Company and Huadian Coal entered into an agreement, pursuant to which, the Company appointed Huadian Coal to provide management and coordination services for procurement of coal in the PRC with a total annual service fee of RMB36 million for 2007.

As Huadian Coal is 51.28% directly owned by China Huadian, the Company's controlling shareholder, Huadian Coal is a connected person of the Company for the purpose of the Listing Rules and therefore, entering into of this agreement constitutes a continuing connected transaction of the Company. As the percentage ratio for the total service fees payable by the Company is less than 2.5%, such transaction falls within Rule14A.34 of the Listing Rules and is only subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Details of the transaction were set out in the announcement of the Company dated 28 June 2007.

The Company's independent non-executive directors have reviewed the continuing connected transaction and confirmed that:

(a) the transaction was entered into by the Company in the ordinary and usual course of the Company's business;

(b) the terms of the agreement governing the transaction are no less favourable than those generally available from the independent third party service providers with similar coal procurement scale under similar services; and

(c) the transaction was conducted under normal commercial terms which are fair and reasonable and in the best interests of the Company and its shareholders as a whole.

(3) TRANSACTIONS BETWEEN WUHU COMPANY AND CHINA HUADIAN ENGINEERING CO., LTD. ("HUADIAN ENGINEERING")

On 26 September 2006, the Company and China Huadian entered into an agreement, pursuant to which the Company acquired 95% equity interest in Wuhu Company from China Huadian at a consideration of RMB25,410,000. The equity transfer agreement was approved by State-owned Assets Supervision and Administration Commission of the State Council on 31 December 2006. Wuhu Company became a susidary of the Company after the consideration was fully paid pursuant to the equity transfer agreement in January 2007. Details were set out in the announcements of the Company dated 26 September 2006 and 1 January 2007.

Before becoming a subsidiary of the Company in 2006, Wuhu Company entered into the following contracts with Huadian Engineering, a connected person of the Company, and had made payments to Huadian Engineering in accordance with the contracts entered into:

On 20 June 2006, Wuhu Company and Huadian Engineering entered into a Contract on Procurement of Equipment for Treatment of Condensate Water Polishing. Pursuant to the contract, Wuhu Company shall pay a total amount of RMB12,980,000 to Huadia Engineering, according to the performance progress of the contract. As at 30 June 2007, Wuhu Company had paid RMB5,144,000 to Huadian Engineering.

On 31 July 2006, Wuhu Company and Huadian Engineering entered into a Contract on Procurement of Bucket Wheel Staker-reclaimers. Pursuant to the contract, Wuhu Company shall pay a total amount of RMB18,800,000 to Huadia Engineering, according to the performance progress of the contract. As at 30 June 2007, Wuhu Company had paid RMB1,840,000 to Huadian Engineering.

On 21 August 2006, Wuhu Company and Huadian Engineering entered into a Contract on Procurement of Imported Pipelines and Tube Materials. Pursuant to the contract, Wuhu Company shall pay a total amount of RMB107,180,000 to Huadia Engineering, according to the performance progress of the contract. As at 30 June 2007, Wuhu Company had paid RMB96,492,000 to Huadian Engineering.

On 21 August 2006, Wuhu Company and Huadian Engineering entered into a Contract on Procurement of High Temperature High Pressure Pipe Fittings. Pursuant to the contract, Wuhu Company shall pay a total amount of RMB40,780,000 to Huadia Engineering, according to the performance progress of the contract. As at 30 June 2007, Wuhu Company had paid RMB12,234,000 to Huadian Engineering.

On 30 November 2006, Wuhu Company and Huadian Engineering entered into a Contract on Procurement of Prefabricated Pipes for Factories. Pursuant to the contract, Wuhu Company shall pay a total amount of RMB5,400,000 to Huadia Engineering, according to the performance progress of the contract. As at 30 June 2007, Wuhu Company had not made any payment to Huadian Engineering.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the directors are aware, each of the following persons, not being a Director, Supervisor, chief executive or member of senior management of the Company, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 30 June 2007 which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or was otherwise, as at 30 June 2007 interested in 5% or more of any class of the then issued share capital of the Company or was, as at 30 June 2007, a substantial shareholder (as defined in the Listing Rules) of the Company:

			Interest as at 30 June 2007			
Name of shareholder	Type of shares	Number of shares held	Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued A shares	Approximate percentage of shareholding in the Company's total issued H shares	Short position
China Huadian	A shares	2,961,061,853	49.18%	64.51%	—	—
Shandong International Trust and Investment Corporation	A shares	849,240,728	14.11%	18.50%	—	—
HKSCC Nominees Limited *(Notes)*	H shares	1,425,957,900	23.68%	—	99.65%	See notes

Notes:

Based on the information available to and obtained by the Directors as at 30 June 2007, the information available on the website of the Stock Exchange and so far as the Directors are aware and understand, as at 30 June 2007 (in the order appearing on the Stock Exchange's website):

1. *Among the 1,425,957,900 H shares held by HKSCC Nominees Limited, Deutsche Bank Aktiengesellschaft had an interest in an aggregate of 154,729,400 H shares of the Company (representing approximately 10.81% of the Company's then total issued H shares). Out of such 154,729,400 H shares, Deutsche Bank Aktiengesellschaft had an interest, in the capacity as beneficial owner, in 2,938,000 H shares (representing approximately 0.20% of the Company's then total issued H shares) and had an interest, in the capacity as person having a security interest in shares, in 151,791,400 H shares (representing approximately 10.61% of the Company's then total issued H shares).*

According to the information as disclosed in the website of the Stock Exchange and so far as the Directors are aware and understand, as at 30 June 2007, Deutsche Bank Aktiengesellschaft also had a short position in an aggregate of 5,020,000 H shares of the Company (representing approximately 0.35% of the Company's then total issued H shares). Out of the short position of 5,020,000 H shares, a short position of 60,000 H shares (representing approximately 0.0042% of the Company's then total issued H shares) was held directly by Deutsche Bank Aktiengesellschaft in the capacity as beneficial owner, a short position of 4,960,000 H shares (representing approximately 0.35% of the Company's then total issued H shares) was held directly by Deutsche Bank Aktiengesellschaft in the capacity as person having a security interest in shares. Out of the short position of 5,020,000 H shares, a short position of 30,000 H shares (representing approximately 0.0021% of the Company's then total issued H shares) was derived from cash settled unlisted derivatives.

2. *Among the 1,425,957,900 H shares held by HKSCC Nominees Limited, The Children's Investment Fund Management (UK) LLP had an interest in an aggregate of 150,669,000 H shares of the Company (representing approximately 10.53% of the Company's then total isuused H shares), in the capacity as investment manager, which were held by The Children's Investment Master Fund, which is controlled by The Children's Investment Fund Management (UK) LLP.*

3. *Among the 1,425,957,900 H shares held by HKSCC Nominees Limited, JPMorgan Chase & Co. had an interest in an aggregate of 126,832,100 H shares of the Company (representing approximately 8.86% of the Company's then total issued H shares). Out of such 126,832,100 H shares, JPMorgan Chase & Co. had an interest in a lending pool comprising 98,226,100 H shares (representing approximately 6.86% of the Company's then total issued H shares) and had an interest, in the capacity as beneficial owner, in 28,606,000 H shares (representing approximately 2.00% of the Company's then total issued H shares). According to the information as disclosed in the website of the Stock Exchange and so far as the Directors understand, JPMorgan Chase & Co. was, as at 30 June 2007, interested in the aforesaid 126,832,100 H shares of the Company in the manner as follows:*

   (a) *98,226,100 H shares (representing approximately 6.86% of the Company's then total issued H shares) were held in the capacity as custodian corporation (in the lending pool) by JPMorgan Chase Bank, N.A., which in turn was 100% controlled by JPMorgan Chase & Co.;*

   (b) *13,480,000 H shares (representing approximately 0.94% of the Company's then total issued H shares) were held by J.P. Morgan Whitefriars Inc., which in turn was 100% controlled by J.P. Morgan Overseas Capital Corporation, which in turn was 100% controlled by J.P. Morgan International Finance Limited, which in turn was 100% controlled by Bank One International Holdings Corporation, which in turn was 100% controlled by J.P. Morgan International Inc., which in turn was 100% controlled by JPMorgan Chase Bank, N.A., which in turn was 100% controlled by JPMorgan Chase & Co.; and*

(c) *15,126,000 H shares (representing approximately 1.06% of the Company's then total issued H shares) were held by J.P. Morgan Securities Ltd., which in turn was 98.95% controlled by J.P. Morgan Chase International Holdings Limited, which in turn was 97.58% controlled by J.P. Morgan Chase (UK) Holdings Limited, which in turn was 100% controlled by J.P. Morgan Capital Holdings Limited, which in turn was 100% controlled by J.P. Morgan International Finance Limited, which in turn was 100% controlled by Bank One International Holdings Corporation, which in turn was 100% controlled by J.P. Morgan International Inc., which in turn was 100% controlled by JPMorgan Chase Bank, N.A., which in turn was 100% controlled by JPMorgan Chase & Co.;*

Out of the long position of 126,832,100 H shares of the Company, a long position of 8,048,000 H shares (representing approximately 0.56% of the Company's then total issued H shares) was derived from cash settled derivatives listed or traded on a stock exchange or traded on a futures exchange.

According to the information as disclosed in the website of the Stock Exchange and so far as the Directors are aware and understand, as at 30 June 2007, JPMorgan Chase & Co. also had a short position in 15,380,400 H shares of the Company (representing approximately 1.08% of the Company's then total issued H shares) in the manner as follows:

(a) *a short position in 254,400 H shares of the Company (representing approximately 0.02% of the Company's then total issued H shares) was held by J.P.Morgan Whitefriars Inc., which in turn was 100% controlled by J.P.Morgan Overseas Capital Corporation, which in turn was 100% controlled by J.P. Morgan International Finance Limited, which in turn was 100% controlled by Bank One International Holdings Corporation, which in turn was 100% controlled by J.P. Morgan International Inc., which in turn was 100% controlled by JPMorgan Chase Bank, N.A., which in turn was 100% controlled by JPMorgan Chase & Co.; and*

(b) *a short position in 15,126,000 H shares of the Company (representing approximately 1.06% of the Company's then total issued H shares) was held by J.P.Morgan Securities Ltd., which in turn was 98.95% held by J.P. Morgan Chase International Holdings Limited, which in turn was 97.58% held by J.P. Morgan Chase (UK) Holdings Limited, which in turn was 100% controlled by J.P. Morgan Capital Holdings Limited, which in turn was 100% controlled by J.P. Morgan International Finance Limited, which in turn was 100% controlled by Bank One International Holdings Corporation, which in turn was 100% controlled by J.P. Morgan International Inc., which in turn was 100% controlled by JPMorgan Chase Bank, N.A., which in turn was 100% controlled by JPMorgan Chase & Co..*

Out of such short position of 15,380,400 H shares of the Company, a short position of 254,400 H shares (representing approximately 0.02% of the Company's then total issued H shares) was derived from cash settled derivatives listed or traded on a stock exchange or traded on a futures exchange.

4. *Among the 1,425,957,900 H shares held by HKSCC Nominees Limited, The Goldman Sachs Group, Inc. had, through controlled corporations, an interest in an aggregate of 107,572,800 H shares of the Company (representing approximately 7.52% of the Company's then total issued H shares). According to the information as disclosed on the website of the Stock Exchange and so far as the Directors understand, The Goldman Sachs Group, Inc. was, as at 30 June 2007, interested in the aforesaid 107,572,800 H shares of the Company in the manner as follows:*

   (a) *107,504,000 H shares (representing approximately 7.51% of the Company's then total issued H shares) were held by Goldman Sachs Asset Management International, which in turn was 99% controlled by Goldman Sachs Holdings (U.K.), which in turn was 100% controlled by Goldman Sachs Group Holdings (U.K.), which in turn was 100% controlled by Goldman Sachs (UK) L.L.C., which in turn was 100% controlled by The Goldman Sachs Group, Inc.; and*

   (b) *68,800 H shares (representing approximately 0.0048% of the Company's then total issued H shares) were held by Goldman Sachs (Asia) Finance, which in turn was 99% controlled by Goldman Sachs (Asia) Finance Holdings LLC, which in turn was 99% controlled by Goldman Sachs & Co, which in turn was 99.8% controlled by The Goldman Sachs Group, Inc..*

   According to the information as disclosed in the website of the Stock Exchange and so far as the Directors are aware and understand, as at 30 June 2007, The Goldman Sachs Group, Inc. also had a short position in 10,461,000 H shares of the Company (representing approximately 0.73% of the Company's then total issued H shares) as follows:

   (a) *A short position in 7,224,000 H shares of the Company (representing approximately 0.50% of the Company's then total issued H shares) was held by Goldman Sachs International, which in turn was 99% controlled by Goldman Sachs Holdings (U.K.), which in turn was 100% controlled by Goldman Sachs Group Holdings (U.K.), which in turn was 100% controlled by Goldman Sachs (UK) L.L.C., which in turn was 100% controlled by The Goldman Sachs Group, Inc.; and*

   (b) *A short position in 3,237,000 H shares of the Company (representing approximately 0.23% of the Company's then total issued H shares) was held by Goldman Sachs & Co., which in turn was 99.8% controlled by The Goldman Sachs Group, Inc..*

Save as disclosed above, according to the records of HKSCC Nominees Limited and other information available to the Directors as at 30 June 2007, the other H shares held by HKSCC Nominees Limited were held by it on behalf of a number of other persons, and to the knowledge of the Directors, none of such persons individually was interested in 5% or more of the Company's then total issued H shares of the Company as at 30 June 2007.

Save as disclosed above and so far as the Directors are aware, as at 30 June 2007, no other person (other than the Directors, Supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Listing Rules) of the Company.

SECURITIES INTERESTS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

As at 30 June 2007, none of the Directors, Supervisors, chief executives or members of senior management of the Company or their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO), including shares (i) being required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO), or (ii) being entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or (iii) being notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to Supervisors the same as it does to the Directors).

In relation to the six months ended 30 June 2007, the Company has adopted a code of conduct regarding Directors' transactions in the Company's securities on terms identical to those of the Model Code. Having made specific enquiry of all Directors, the Company understands that all Directors have complied with the required standard set out in the Model Code.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued securities ("securities" having the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Listing Rules).

DESIGNATED DEPOSITS AND OVERDUE MATERIAL DEPOSITS

As at 30 June 2007, the Group deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material deposits which could not be collected by the Group upon maturity.

MATERIAL LITIGATION

As at 30 June 2007, the Group was not involved in any material litigation or arbitration. In addition, no litigation or claim of material importance was known to the Directors of the Company to be pending or threatened by or against the Group.

AUDIT COMMITTEE

The unaudited financial statements for the six months ended 30 June 2007 prepared under International Accounting Standards 34 "Interim Financial Reporting" were reviewed by the Company's Audit Committee.

CORPORATE GOVERNANCE PRACTICES

The codes on corporate governance practices adopted by the Company include, but are not limited to, its Articles of Association, Rules of Procedures of Audit Committee, Code on Shareholders' Meetings, Code on Board Practices and Code on Supervisory Committee, etc..

The Board has reviewed the relevant requirements prescribed under the codes on corporate governance practices adopted by the Company and its actual operations, and has taken the view that the corporate governance practices adopted by the Company during the first half of 2007 have met the requirements under the code provisions in the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 to the Listing Rules and there was no deviation from such provisions. In certain aspects, the corporate governance practices adopted by the Company have been more stringent than those of the code provisions under the Code.

The following describes the major aspects of corporate governance practices of the Company which have been more stringent than those of the code provisions under the Code:

— In the first half of 2007, altogether five Board meetings were held by the Company.

— the Company has formulated the Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited and the Code on Trading of the Company's Securities by Employees of Huadian Power International Corporation Limtied, which are not less strict than the Model Code as set out in Appendix 10 to the Listing Rules.

— The Audit Committee comprises five members, including two non-executive directors and three independent non-executive directors. Mr. Hu Yuanmu, the independent non-executive director, was the chairman of Audit Committee. The other four members were independent non-executive directors, Mr. Ding Huiping and Mr. Wang Chuanshun and non-executive directors, Mr. Peng Xingyu and Ms. Wang Yingli. The Audit Committee is mainly responsible for communication, supervision and inspection of internal and external audit of the Company and reported to the Directors in relation to their opinions on audit, internal control and corporate governance.

— In addition to the Audit Committee and the Remuneration Committee, the Company has established its Strategic Committee and formulated Detailed Rules on the Work of the Strategic Committee. Its main duties include:

1. studying and recommending the strategic planning for the long-term development of the Company;

2. studying and recommending on financing proposals in major investments requiring approval of the Board;

3. studying and recommending on major production operation policies requiring approval of the Board;

4. studying and recommending on other significant events that impact on the development of the Company;

5. monitoring the implementation of the above matters; and

6. attending to other matters as requested by the Board.

To date, no deviation from the code provisions under the Code was found.

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2007 (unaudited)
(Expressed in Renminbi)

		Six months ended 30 June	
		2007	2006 (restated)
	Note	***RMB'000***	*RMB'000*
Turnover	4	**8,538,701**	6,911,216
Operating expenses			
Coal consumption		**(4,828,048)**	(3,761,612)
Depreciation and amortisation		**(1,289,775)**	(894,728)
Major overhaul expenses		**(148,645)**	(124,522)
Repairs and maintenance		**(88,573)**	(67,770)
Personnel costs		**(458,351)**	(540,799)
Administrative expenses		**(265,985)**	(242,630)
Sales related taxes		**(92,306)**	(87,186)
Other operating expenses		**(175,412)**	(140,750)
		(7,347,095)	(5,859,997)
Operating profit		**1,191,606**	1,051,219
Investment income		**—**	19,296
Other net income		**16,689**	14,894
Net finance costs	5	**(561,479)**	(227,650)
Share of profits less losses of associates		**39,881**	(186)
Share of profit less loss of a jointly controlled entity		**25,671**	19,029
Profit before taxation	6	**712,368**	876,602
Income tax	7	**(2,018)**	(275,047)
Profit for the period		**710,350**	601,555
Attributable to:			
Equity shareholders of the company		**543,451**	536,042
Minority interests		**166,899**	65,513
Profit for the period		**710,350**	601,555
Basic and diluted earnings per share	9	**RMB0.090**	RMB0.089

The notes on pages 27 to 48 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

as at 30 June 2007 (unaudited)
(Expressed in Renminbi)

	Note	**At 30 June 2007** *RMB'000*	At 31 December 2006 (restated) *RMB'000*
Non-current assets			
Property, plant and equipment	10	**41,909,154**	36,047,950
Construction in progress	11	**12,271,587**	11,499,163
Lease prepayments		**876,859**	895,275
Intangible assets		**44,431**	44,431
Interest in associates		**1,508,105**	1,486,041
Interest in jointly controlled entity		**198,221**	210,481
Other investments		**140,539**	135,539
Investment deposit		**—**	15,250
Deferred tax assets		**45,913**	44,946
		56,994,809	50,379,076
Current assets			
Inventories		**733,897**	730,941
Deposits, other receivables and prepayments		**178,330**	110,481
Trade and bills receivables	12	**1,387,959**	1,526,219
Tax recoverable		**15,322**	14,389
Guarantee deposits	13	**35,361**	316,058
Cash and cash equivalents	14	**734,827**	962,183
		3,085,696	3,660,271
Current liabilities			
Bank loans	15	**7,369,259**	10,804,955
Current portion of loans from shareholders		**51,000**	51,000
Current portion of state loans		**10,134**	10,005
Other loans	16	**1,798,418**	1,498,020
Short-term debenture payables	17	**3,910,894**	—
Amounts due to holding company		**11,155**	10,415
Trade and bills payables	18	**6,307,026**	4,457,324
Other payables		**2,432,666**	1,701,618
Tax payable		**71,661**	88,792
		21,962,213	18,622,129
Net current liabilities		**(18,876,517)**	(14,961,858)
Total assets less current liabilities carried forward		**38,118,292**	35,417,218

CONSOLIDATED BALANCE SHEET *(Continued)*

as at 30 June 2007 (unaudited)
(Expressed in Renminbi)

	Note	At 30 June 2007 *RMB'000*	At 31 December 2006 (restated) *RMB'000*
Total assets less current liabilities brought forward		**38,118,292**	35,417,218
Non-current liabilities			
Bank loans	15	**19,128,875**	16,455,447
Loans from shareholders		**1,235,000**	1,235,000
State loans		**67,882**	74,424
Other loans	16	**543,905**	831,055
Deferred government grants		**201,701**	203,880
Deferred tax liabilities		**637,119**	769,509
Deferred income	19	**74,758**	—
		21,889,240	19,569,315
Net assets		**16,229,052**	15,847,903
Capital and reserves			
Share capital		**6,021,084**	6,021,084
Reserves		**7,625,326**	7,455,182
Total equity attributable to equity shareholders of the company		**13,646,410**	13,476,266
Minority interests		**2,582,642**	2,371,637
Total equity		**16,229,052**	15,847,903

The notes on pages 27 to 48 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2007 (unaudited)

(Expressed in Renminbi)

		Attributable to equity shareholders of the company									
	Note	Share capital *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Discretionary surplus reserve *RMB'000*	Revaluation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2007		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
Profit for the period		—	—	—	—	—	—	543,451	543,451	166,899	710,350
Transfer to statutory surplus reserve		—	—	6,720	—	—	—	(6,720)	—	—	—
Capital injection from minority equity shareholders of subsidiaries		—	—	—	—	—	—	—	—	56,286	56,286
Dividends approved for equity shareholders of the company	8	—	—	—	—	—	—	(373,307)	(373,307)	—	(373,307)
Dividends approved for minority equity shareholders of subsidiaries		—	—	—	—	—	—	—	—	(13,518)	(13,518)
Acquisition of a subsidiary		—	—	—	—	—	—	—	—	1,338	1,338
Balance at 30 June 2007		6,021,084	1,897,919	1,460,562	—	68,089	44,726	4,154,030	13,646,410	2,582,642	16,229,052
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
Profit for the period		—	—	—	—	—	—	536,042	536,042	65,513	601,555
Transfer to statutory surplus reserve		—	—	379,434	(379,434)	—	—	—	—	—	—
Capital injection from minority equity shareholders of subsidiaries		—	—	—	—	—	—	—	—	476,734	476,734
Dividends approved for equity shareholders of the company	8	—	—	—	—	—	—	(391,370)	(391,370)	—	(391,370)
Dividends approved for minority equity shareholders of subsidiaries		—	—	—	—	—	—	—	—	(11,338)	(11,338)
Acquisition of a subsidiary		—	—	—	—	—	44,726	—	44,726	694,835	739,561
Disposal of subsidiaries		—	—	—	—	—	—	—	—	(7,887)	(7,887)
Balance at 30 June 2006		6,021,084	1,897,919	1,341,653	—	68,089	44,726	3,437,636	12,811,107	2,258,564	15,069,671

The notes on pages 27 to 48 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2007 (unaudited)
(Expressed in Renminbi)

		Six months ended 30 June	
		2007	2006 (restated)
	Note	***RMB'000***	*RMB'000*
Net cash from operating activities		**2,179,028**	1,611,691
Net cash used in investing activities		**(5,336,013)**	(5,715,625)
Net cash from financing activities		**2,929,629**	3,910,950
Decrease in cash and cash equivalents		**(227,356)**	(192,984)
Cash and cash equivalents at 1 January		**962,183**	845,642
Cash and cash equivalents at 30 June	14	**734,827**	652,658

The notes on pages 27 to 48 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard ("IAS") 34, "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB"). It was authorised for issuance on 23 August 2007.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2006.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2006 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the IASB. IFRS includes all applicable IFRS, IAS and related interpretations.

IASB has issued a number of new and revised IFRS that are effective or available for early adoption for accounting periods beginning on or after 1 January 2007. The Board of Directors has determined the accounting policies to be adopted in the preparation of the group's annual financial statements for the year ending 31 December 2007, on the basis of IFRS currently in issue, which directors believe, do not have a significant impact on the group's prior year financial position and results of operations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

1 Basis of preparation *(Continued)*

The IFRS that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2007 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report. The group has not applied any new standards or interpretations that are not yet effective for the current accounting period (see note 25).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements, except for accounting policy on investment in jointly controlled entities and details are set out in note 2.

The interim financial report set out on pages 22 to 48 is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 49.

The financial information relating to the financial year ended 31 December 2006 that is included in the interim financial report as being previously reported information does not constitute the company's annual financial statements prepared under IFRS for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2006 are available from the company's legal office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 23 March 2007.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

2 Changes in accounting policy

In prior years, investment in jointly controlled entity was accounted for under proportionate consolidation method for consolidated financial statements prepared under IFRS and People's Republic of China ("PRC") Accounting Standards and Regulations. Effective from 1 January 2007, the group adopted the new China's Accounting Standards for Business Enterprises ("ASBE") (2006) for the preparation of PRC financial statements and changed its accounting policy to equity account for the investment in jointly controlled entity in accordance with ASBE 2 "Long-term equity investments".

In order to avoid confusion and to harmonise with existing ASBE (2006), the director believes that the adoption of equity method could provide more relevant information about the group's financial position. As a result, the group has adopted the equity method, which is permitted under IAS 31 "Interests in Joint Ventures", to account for investment in jointly controlled entity for consolidated financial statements prepared under IFRS with effect from 1 January 2007.

The change in accounting policy has been adopted retrospectively but there is no effect on the opening net assets, retained profits nor the profit or loss for the periods presented. The adoption of equity method only resulted in a reclassification of the accounting caption and the effects to the group's consolidated financial statements are set out below:

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

2 Changes in accounting policy *(continued)*

(a) Restatement of prior periods and opening balances

Consolidated income statement for the six months ended 30 June 2006:

	2006 (as previously reported) *RMB'000*	Effect of new policy increase/ (decrease) in profit for the period *RMB'000*	2006 *RMB'000*
Turnover	7,116,054	(204,838)	6,911,216
Operating expenses			
Coal consumption	(3,853,880)	92,268	(3,761,612)
Depreciation and amortisation	(933,666)	38,938	(894,728)
Major overhaul expenses	(137,833)	13,311	(124,522)
Repairs and maintenance	(69,179)	1,409	(67,770)
Personnel costs	(549,666)	8,867	(540,799)
Administrative expenses	(248,602)	5,972	(242,630)
Sales related taxes	(88,209)	1,023	(87,186)
Other operating expenses	(143,866)	3,116	(140,750)
	(6,024,901)	164,904	(5,859,997)
Operating profit	1,091,153	(39,934)	1,051,219
Investment income	19,296	—	19,296
Other net income	14,437	457	14,894
Net finance costs	(253,009)	25,359	(227,650)
Share of profits less losses of associates	(186)	—	(186)
Share of profits less losses of jointly controlled entity	—	19,029	19,029
Profit before taxation	871,691	4,911	876,602
Income tax	(270,136)	(4,911)	(275,047)
Profit for the period	601,555	—	601,555

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

2 Changes in accounting policy *(Continued)*

(a) Restatement of prior periods and opening balances *(Continued)*

Consolidated balance sheet as at 31 December 2006:

	2006 (as previously reported) *RMB'000*	Effect of new policy increase/ (decrease) in net assets *RMB'000*	2006 *RMB'000*
Non-current assets			
Property, plant and equipment	37,046,206	(998,256)	36,047,950
Interest in jointly controlled entity	—	210,481	210,481
Other non-current assets	14,120,645	—	14,120,645
	51,166,851	(787,775)	50,379,076
Current assets			
Inventories	748,511	(17,570)	730,941
Deposits, other receivables and prepayments	111,258	(777)	110,481
Trade and bills receivables	1,575,104	(48,885)	1,526,219
Tax recoverable	16,164	(1,775)	14,389
Guarantee deposits	316,058	—	316,058
Cash and cash equivalents	967,922	(5,739)	962,183
	3,735,017	(74,746)	3,660,271
Current liabilities			
Bank loans	(10,864,955)	60,000	(10,804,955)
Other loans	(1,575,520)	77,500	(1,498,020)
Trade and bills payables	(4,508,415)	51,091	(4,457,324)
Other payables	(1,713,570)	11,952	(1,701,618)
Other current liabilities	(160,212)	—	(160,212)
	(18,822,672)	200,543	(18,622,129)
Net current liabilities	(15,087,655)	125,797	(14,961,858)
Total assets less current liabilities carried forward	36,079,196	(661,978)	35,417,218

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

2 Changes in accounting policy *(Continued)*

(a) Restatement of prior periods and opening balances *(Continued)*

Consolidated balance sheet as at 31 December 2006: (Continued)

	2006 (as previously reported) *RMB'000*	Effect of new policy increase/ (decrease) in net assets *RMB'000*	2006 *RMB'000*
Total assets less current liabilities brought forward	36,079,196	(661,978)	35,417,218
Non-current liabilities			
Bank loans	(17,005,947)	550,500	(16,455,447)
Loans from shareholders	(1,335,000)	100,000	(1,235,000)
Deferred tax liabilities	(780,987)	11,478	(769,509)
Other non-current liabilities	(1,109,359)	—	(1,109,359)
	(20,231,293)	661,978	(19,569,315)
Net assets	15,847,903	—	15,847,903
Capital and reserves	(13,476,266)	—	(13,476,266)
Minority interests	(2,371,637)	—	(2,371,637)
Total equity	(15,847,903)	—	(15,847,903)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

2 Changes in accounting policy *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period

Estimated effect on the consolidated income statement for the six months ended 30 June 2007:

	2007 *RMB'000*	Effect of new policy increase/ (decrease) in profit for the period *RMB'000*	2007 *RMB'000*
Turnover	8,538,701	201,514	8,740,215
Operating expenses			
Coal consumption	(4,828,048)	(88,493)	(4,916,541)
Depreciation and amortisation	(1,289,775)	(28,163)	(1,317,938)
Major overhaul expenses	(148,645)	(12,689)	(161,334)
Repairs and maintenance	(88,573)	(1,593)	(90,166)
Personnel costs	(458,351)	(9,306)	(467,657)
Administrative expenses	(265,985)	(11,458)	(277,443)
Sales related taxes	(92,306)	(971)	(93,277)
Other operating expenses	(175,412)	(1,462)	(176,874)
	(7,347,095)	(154,135)	(7,501,230)
Operating profit	1,191,606	47,379	1,238,985
Investment income	—	—	—
Other net income	16,689	2,400	19,089
Net finance costs	(561,479)	(24,115)	(585,594)
Share of profits less losses of associates	39,881	—	39,881
Share of profits less losses of jointly controlled entity	25,671	(25,671)	—
Profit before taxation	712,368	(7)	712,361
Income tax	(2,018)	7	(2,011)
Profit for the period	710,350	—	710,350

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

2 Changes in accounting policy *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period *(Continued)*

Estimated effect on the consolidated balance sheet as at 30 June 2007:

	2007 *RMB'000*	Effect of new policy increase/ (decrease) in net assets *RMB'000*	2007 *RMB'000*
Non-current assets			
Property, plant and equipment	41,909,154	970,028	42,879,182
Construction in progress	12,271,587	103	12,271,690
Interest in jointly controlled entity	198,221	(198,221)	—
Other non-current assets	2,615,847	—	2,615,847
	56,994,809	771,910	57,766,719
Current assets			
Inventories	733,897	19,907	753,804
Deposits, other receivables and prepayments	178,330	780	179,110
Trade and bills receivables	1,387,959	41,252	1,429,211
Tax recoverable	15,322	—	15,322
Guarantee deposits	35,361	—	35,361
Cash and cash equivalents	734,827	16,992	751,819
	3,085,696	78,931	3,164,627
Current liabilities			
Bank loans	(7,369,259)	(77,500)	(7,446,759)
Other loans	(1,798,418)	(77,500)	(1,875,918)
Trade and bills payables	(6,307,026)	(23,819)	(6,330,845)
Other payables	(2,432,666)	(30,051)	(2,462,717)
Other current liabilities	(4,054,844)	—	(4,054,844)
	(21,962,213)	(208,870)	(22,171,083)
Net current liabilities	(18,876,517)	(129,939)	(19,006,456)
Total assets less current liabilities carried forward	38,118,292	641,971	38,760,263

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

2 Changes in accounting policy *(Continued)*

(b) Estimated effect of changes in accounting policies on the current period *(Continued)*

Estimated effect on the consolidated balance sheet as at 30 June 2007: (Continued)

	2007 *RMB'000*	Effect of new policy increase/ (decrease) in net assets *RMB'000*	2007 *RMB'000*
Total assets less current liabilities brought forward	38,118,292	641,971	38,760,263
Non-current liabilities			
Bank loans	(19,128,875)	(530,500)	(19,659,375)
Loans from shareholders	(1,235,000)	(100,000)	(1,335,000)
Deferred tax liabilities	(637,119)	(11,471)	(648,590)
Other non-current liabilities	(888,246)	—	(888,246)
	(21,889,240)	(641,971)	(22,531,211)
Net assets	16,229,052	—	16,229,052
Capital and reserves	(13,646,410)	—	(13,646,410)
Minority interests	(2,582,642)	—	(2,582,642)
Total equity	(16,229,052)	—	(16,229,052)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

3 Acquisitions

In January 2007, the company completed the acquisition of 95% equity interests in Anhui Huadian Wuhu Power Company Limited for a consideration of RMB25.41 million.

The acquisitions had the following effect on the group's assets and liabilities:

	Pre-acquisition carrying amounts *RMB'000*	Fair value adjustments *RMB'000*	Recognised values on acquisitions *RMB'000*
Property, plant and equipment	3,909	—	3,909
Construction in progress	763,347	30,686	794,033
Designated loans	100,000	—	100,000
Deposits, other receivables and prepayments	7,098	—	7,098
Cash and cash equivalents	55,031	—	55,031
Trade payables	(288,470)	—	(288,470)
Other payables	(15,253)	—	(15,253)
Tax payable	(16)	—	(16)
Loans	(625,000)	—	(625,000)
Deferred tax assets/(liabilities)	3,087	(7,671)	(4,584)
Minority interests	(187)	(1,151)	(1,338)
Total	3,546	21,864	25,410
Less: Cash and cash equivalents acquired			(55,031)
Investment deposit paid in 2006			(15,250)
Net cash inflow for the period			(44,871)

The acquisitions contributed unaudited turnover amounting to RMB Nil and unaudited loss after tax amounting to RMB2,886,000 for the six months ended 30 June 2007.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

4 Turnover

Turnover represents the sale of electricity and heat, net of value added tax. Major components of the group's turnover are as follows:

	Six months ended 30 June	
	2007	2006 (restated)
	RMB'000	*RMB'000*
Sale of electricity	**8,356,965**	6,751,257
Sale of heat	**181,736**	159,959
	8,538,701	6,911,216

5 Net finance costs

	Six months ended 30 June	
	2007	2006 (restated)
	RMB'000	*RMB'000*
Interest on bank and other loans	**962,452**	583,545
Less: Interest capitalised	**(368,739)**	(318,218)
Net interest expenses	**593,713**	265,327
Less: Interest income	**(3,799)**	(4,542)
Net foreign exchange gain	**(37,171)**	(14,481)
Net loss/(gain) on derivative financial instruments	**8,736**	(18,654)
Net finance costs	**561,479**	227,650

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

6 Profit before taxation

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

	Six months ended 30 June	
	2007	2006 (restated)
	RMB'000	*RMB'000*
Cost of inventories	**5,139,497**	4,007,357
Amortisation of intangible assets and lease prepayments	**16,606**	15,844
Depreciation	**1,273,169**	878,884
Dividend income	**—**	(3,140)
Profit on sale of investments	**—**	(16,156)

7 Income tax

	Six months ended 30 June	
	2007	2006 (restated)
	RMB'000	*RMB'000*
Charge for the PRC enterprise income tax	**139,959**	215,363
Deferred tax (income)/expense	**(137,941)**	59,684
	2,018	275,047

The charge for PRC enterprise income tax is calculated at the statutory rate of 33% (six months ended 30 June 2006: 33%) on the estimated assessable profits of the group for the six months ended 30 June 2007 determined in accordance with relevant enterprise income tax rules and regulations, except for a subsidiary of the company which is taxed at a preferential rate of 15%.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

7 Income tax *(Continued)*

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. According to the New Tax Law, except for a subsidiary of the company which enjoys a preferential rate of 15% until 2010, the group's applicable income tax rate is changed from 33% to 25% from 1 January 2008. Deferred tax income of RMB 196,924,000 has been adjusted based on the tax rate that is expected to apply to the period when the deferred tax asset is realised or the deferred tax liability is settled.

8 Dividends

(i) Dividends attributable to the interim period:

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: RMB Nil).

(ii) Dividends attributable to the previous financial year, approved and paid during the interim period:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2006, approved during the following interim period, of RMB0.062 per share (year ended 31 December 2005: RMB0.065)	**373,307**	391,370

As at 30 June 2007, the group paid dividends of RMB134,000,000 and the remaining dividend payable was settled on 3 July 2007.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

9 Earnings per share

(i) 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 six months ended 30 June 2007 of RMB543,451,000 (six months ended 30 June 2006: RMB536,042,000) and the number of shares in issue during the six months ended 30 June 2007 of 6,021,084,200 (six months ended 30 June 2006: 6,021,084,200).

(ii) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2006 and 2007.

10 Property, plant and equipment

During the six months ended 30 June 2007, the group acquired items of property, plant and equipment of RMB7,154,488,000 (six months ended 30 June 2006: RMB1,283,688,000), of which the portions acquired through transfer from construction in progress and through acquisition of a subsidiary were RMB7,118,966,000 (six months ended 30 June 2006: RMB8,683,000) and RMB3,909,000 (six months ended 30 June 2006: RMB1,227,535,000), respectively.

11 Construction in progress

The acquisition and transfer of items of construction in progress during the six months ended 30 June 2006 and 2007 are as follows:

	Six months ended 30 June	
	2007	2006 (restated)
	RMB'000	*RMB'000*
Through acquisition of a subsidiary	**794,031**	1,054,545
Additions	**7,097,359**	5,918,721
Transfer to property, plant and equipment	**(7,118,966)**	(8,683)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

12 Trade and bills receivables

	At 30 June 2007 *RMB'000*	At 31 December 2006 (restated) *RMB'000*
Trade and bills receivables for sale of electricity	**1,336,927**	1,492,077
Trade and bills receivables for sale of heat	**51,032**	34,142
	1,387,959	1,526,219

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:

	At 30 June 2007 *RMB'000*	At 31 December 2006 (restated) *RMB'000*
Within one year	**1,357,337**	1,498,739
Between one and two years	**14,535**	11,578
Between two and three years	**185**	—
More than three years	**15,902**	15,902
	1,387,959	1,526,219

13 Guarantee deposits

Guarantee deposits represent cash pledged as collateral for bills payable.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

14 Cash and cash equivalents

	At 30 June 2007	At 31 December 2006 (restated)
	RMB'000	*RMB'000*
Cash at bank and in hand	**729,827**	957,183
Deposits with banks and other financial institutions	**5,000**	5,000
	734,827	962,183

15 Bank loans

All of the bank loans are unsecured, except for an amount of RMB5,280,000,000 (31 December 2006: RMB3,290,000,000) in respect of certain subsidiaries, which is secured by the income stream in respect of the sales of electricity of these subsidiaries.

16 Other loans

Other loans included loans from China Huadian Finance Corporation Limited, an associate of the group, of RMB1,815,212,000 (31 December 2006: RMB1,640,037,000).

17 Short-term debenture payables

On 8 May 2007, the group issued short-term debentures of RMB4,000,000,000 at discount with a maturity period of 272 days in the PRC interbank debenture market. The unit par value is RMB100 and the issue price is RMB97.54.

18 Trade and bills payables

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

19 Deferred income

Deferred income represents prepayment of heat connection fees received from customers, which is deferred and recognised in profit or loss in equal instalments over the useful lives of the relevant assets.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

20 Material related party transactions

(a) Transactions with China Huadian Corporation ("China Huadian"), fellow subsidiaries, associates and Shandong International Trust and Investment Company Limited ("SITIC")

(i) The group had the following material transactions with China Huadian, fellow subsidiaries, associates and SITIC during the six months ended 30 June 2006 and 2007:

	Six months ended 30 June	
	2007	2006 (restated)
	RMB'000	*RMB'000*
Construction costs and equipment costs paid and payable to entities controlled by the holding company	**82,979**	45,111
Interest expenses	**85,146**	68,187
Loans obtained from related parties	**1,675,175**	630,000
Loans repaid to related parties	**1,500,000**	375,000
Service fee paid to associates	**15,230**	—

(ii) The balances due to related parties are as follows:

	Nature of transactions	**At 30 June 2007**	At 31 December 2006 (restated)
		RMB'000	*RMB'000*
Prepayment to a fellow subsidiary	Construction and equipment costs	**170,121**	208,912
Amounts due to shareholders	Loan	**1,286,000**	1,286,000
Amounts due to associates	Loan	**2,115,212**	1,940,037

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

20 Material related party transactions *(Continued)*

(a) Transactions with China Huadian Corporation ("China Huadian"), fellow subsidiaries, associates and Shandong International Trust and Investment Company Limited ("SITIC") *(Continued)*

(iii) In April 2006, the company contributed RMB315 million to the registered capital of Huadian Coal Industry Group Co., Ltd. ("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.

(iv) At 30 June 2007, the subsidiary, Sichuan Guangan Power Generation Company Limited provided guarantees to banks for loans granted to an associate of the company, Sichuan Huayingshan Longtan Coal Company Limited amounting to RMB104,150,000 (31 December 2006: RMB73,400,000).

(v) At 30 June 2007, China Huadian provided guarantee to banks for loans granted to the group amounting to RMB220,000,000 (31 December 2006: RMB220,000,000).

(b) Transactions with key management personnel

Remuneration for key management personnel, including amounts paid to the company's directors and supervisors is as follows:

	Six months ended 30 June	
	2007	2006 (restated)
	RMB'000	*RMB'000*
Salaries and other emoluments	**1,003**	964
Retirement benefits	**153**	105
Bonuses	**739**	406
	1,895	1,475

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

20 Material related party transactions *(Continued)*

(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. As at 30 June 2007, there was no material outstanding contribution to post-employment benefit plans.

(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, affiliates and other organisations.

Apart from transactions mentioned in notes 20(a), (b) and (c), the group has transactions with other state-controlled entities include but not limited to the following:

— sales of electricity and heat;

— 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 processes and financing policy do not depend on whether the counterparties are state-controlled entities or not.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

20 Material related party transactions *(Continued)*

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

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:

	Six months ended 30 June	
	2007	2006 (restated)
	RMB'000	*RMB'000*
Sale of electricity to the grid	**8,356,965**	6,751,257
Interest expenses	**607,480**	255,242
Purchase of construction materials and receiving construction work service	**6,645,641**	5,555,392

	At 30 June 2007	At 31 December 2006 (restated)
	RMB'000	*RMB'000*
Receivables from sale of electricity	**1,336,927**	1,492,077
Loans payables	**19,661,631**	20,377,024
Cash at bank	**372,984**	944,468
Prepayments	**2,429,124**	5,710,304
Trade and other payables	**5,751,512**	3,981,374

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

21 Capital commitments

(i) The group (excluding jointly controlled entity) had capital commitments outstanding as at 30 June 2007 and 31 December 2006 not provided for in the consolidated financial statements as follows:

	At 30 June 2007 ***RMB'000***	At 31 December 2006 *RMB'000*
Contracted for		
— Development of power plants	**7,821,042**	8,972,415
— Investments	**217,200**	170,160
— Technical improvement projects and others	**147,013**	145,256
	8,185,255	9,287,831
Authorised but not contracted for		
— Development of power plants	**6,384,321**	6,349,517
— Technical improvement projects and others	**446,228**	204,159
	6,830,549	6,553,676
	15,015,804	15,841,507

(ii) The group did not have significant proportionate share of the jointly controlled entity's capital expenditure commitments at 30 June 2007 and 31 December 2006.

22 Contingent liabilities

The group did not have any material contingent liabilities as at 30 June 2007 and 31 December 2006, except for those disclosed in note 20(a)(iv).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

23 Segment reporting

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

24 Comparative figures

Certain comparative figures have been adjusted as a result of the change in accounting policy. Further details have been disclosed in note 2.

25 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2007

Up to the date of issue of this financial report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2007 and which have not been adopted in these financial statements because the directors expect that the group will not early apply them when preparing the group's annual financial statements for the year ending 31 December 2007.

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

		Effective for accounting periods beginning on or after
IFRIC 12	Service concession arrangements	1 January 2008
IFRS 8	Operating segments	1 January 2009
IAS 23 (Revised)	Borrowing costs	1 January 2009

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

Review report to the board of directors of
Huadian Power International Corporation Limited

Introduction

We have reviewed the interim financial report set out on pages 22 to 48 which comprises the balance sheet of Huadian Power International Corporation Limited as of 30 June 2007 and the related statements of income, and changes in equity and condensed statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2007 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

23 August 2007

CONSOLIDATED BALANCE SHEET

as at 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

ASSETS	*Note*	**30 June 2007**	31 December 2006 *(restated)*
Current assets			
Cash at bank and in hand	7	**770,188**	1,333,272
Designated loans		**—**	100,000
Bills receivable	8	**8,604**	7,068
Trade receivables	9	**1,379,355**	1,519,151
Prepayments	10	**93,583**	66,678
Other receivables	11	**81,039**	47,330
Inventories	12	**733,897**	730,941
Total current assets		**3,066,666**	3,804,440
Non-current assets			
Long-term equity investments	13	**1,846,865**	1,832,061
Fixed assets	14	**41,155,664**	35,264,944
Construction in progress	15	**8,863,174**	6,543,890
Construction materials	15	**3,395,885**	5,714,311
Intangible assets	16	**683,575**	695,704
Goodwill	17	**274,209**	274,209
Deferred tax assets	18	**92,236**	131,066
Investment deposit	19	**—**	15,250
Total non-current assets		**56,311,608**	50,471,435
Total assets		**59,378,274**	54,275,875

Cao Peixi
Legal representative

Zhu Fangxin
Person in charge of the accounting affairs

Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED BALANCE SHEET *(continued)*

as at 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	*Note*	**30 June 2007**	31 December 2006 *(restated)*
Current liabilities			
Short-term loans	21	**8,207,314**	10,119,902
Bills payable	22	**2,431,325**	1,730,686
Trade payables	23	**3,875,701**	3,015,109
Wages payable	24	**179,080**	277,707
Taxes payable	5(3)	**207,613**	319,617
Other payables	25	**2,113,467**	1,232,877
Short-term debenture payables	26	**3,910,894**	—
Long-term loans due within one year	27	**1,021,497**	2,369,078
Total current liabilities		**21,946,891**	19,064,976
Non-current liabilities			
Long-term loans	28	**20,975,662**	19,095,926
Special payables		**—**	15,640
Deferred tax liabilities	18	**464,152**	519,430
Other non-current liabilities		**87,184**	28,360
Total non-current liabilities		**21,526,998**	19,659,356
Total liabilities		**43,473,889**	38,724,332

Cao Peixi
Legal representative

Zhu Fangxin
Person in charge of the accounting affairs

Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED BALANCE SHEET *(continued)*

as at 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY *(continued)*	*Note*	**30 June 2007**	31 December 2006 *(restated)*
Shareholders' equity			
Share capital	29	**6,021,084**	6,021,084
Capital reserve	30(1)	**2,017,180**	2,027,690
Surplus reserves	30(2)	**1,528,651**	1,528,651
Retained profits		**4,043,734**	3,870,633
Total equity attributable to equity shareholders of the Company		**13,610,649**	13,448,058
Minority interest		**2,293,736**	2,103,485
Total shareholders' equity		**15,904,385**	15,551,543
Total liabilities and shareholders' equity		**59,378,274**	54,275,875

These financial statements were approved by the Board of Directors on 23 August 2007.

Cao Peixi	**Zhu Fangxin**	**Tao Yunpeng**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 68 to 182 form part of these financial statements.

BALANCE SHEET

as at 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

ASSETS	*Note*	**30 June 2007**	31 December 2006 *(restated)*
Current assets			
Cash at bank and in hand	7	**193,903**	576,989
Trade receivables	9	**478,070**	530,690
Prepayments	10	**35,422**	27,347
Other receivables	11	**117,226**	319,910
Inventories	12	**285,394**	299,032
Total current assets		**1,110,015**	1,753,968
Non-current assets			
Long-term equity investments	13	**7,596,888**	6,809,019
Fixed assets	14	**14,396,171**	14,777,769
Construction in progress	15	**3,131,860**	1,436,132
Construction materials	15	**98,419**	812,632
Intangible assets	16	**191,274**	196,814
Goodwill	17	**7,019**	7,019
Deferred tax assets	18	**38,231**	82,274
Investment deposit	19	**—**	15,250
Total non-current assets		**25,459,862**	24,136,909
Total assets		**26,569,877**	25,890,877

Cao Peixi	**Zhu Fangxin**	**Tao Yunpeng**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 68 to 182 form part of these financial statements.

BALANCE SHEET *(continued)*

as at 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	*Note*	**30 June 2007**	31 December 2006 *(restated)*
Current liabilities			
Short-term loans	21	**1,937,314**	4,486,902
Bills payable	22	**1,024,429**	480,000
Trade payables	23	**1,484,473**	1,231,025
Wages payable	24	**94,185**	188,655
Taxes payable	5(3)	**117,748**	230,832
Other payables	25	**909,906**	606,535
Short-term debenture payables	26	**3,910,894**	—
Long-term loans due within one year	27	**208,171**	1,479,935
Total current liabilities		**9,687,120**	8,703,884
Non-current liabilities			
Long-term loans	28	**3,505,971**	3,726,841
Special payables		**—**	15,640
Total long-term liabilities		**3,505,971**	3,742,481
Total liabilities		**13,193,091**	12,446,365

Cao Peixi
Legal representative

Zhu Fangxin
Person in charge of the accounting affairs

Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

BALANCE SHEET *(continued)*

as at 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY *(continued)*	*Note*	**30 June 2007**	31 December 2006 *(restated)*
Shareholders' equity			
Share capital	29	**6,021,084**	6,021,084
Capital reserve	30(1)	**2,011,226**	2,018,190
Surplus reserves	30(2)	**1,528,651**	1,528,651
Retained profits		**3,815,825**	3,876,587
Total shareholders' equity		**13,376,786**	13,444,512
Total liabilities and shareholders' equity		**26,569,877**	25,890,877

These financial statements were approved by the Board of Directors on 23 August 2007.

Cao Peixi
Legal representative

Zhu Fangxin
Person in charge of the accounting affairs

Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	For the six months ended 30 June 2007	2006 (restated)
Turnover	32	**8,575,132**	6,942,404
Less: Cost of sales	33	**(6,941,893)**	(5,498,669)
Sales taxes and surcharges	34	**(92,492)**	(88,723)
Administrative expenses		**(276,147)**	(259,757)
Financial expenses	35	**(561,479)**	(227,650)
Add: Investment income	36	**66,292**	38,139
Including: investment income from associates and jointly controlled entity		**66,292**	18,843
Operating profit		**769,413**	905,744
Add: Non-operating income		**1,494**	2,899
Less: Non-operating expenses		**(924)**	(807)
Total profit		**769,983**	907,836
Less: Income tax	37	**(76,092)**	(287,175)
Net profit		**693,891**	620,661

Cao Peixi
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Person in charge of the accounting affairs

Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT *(continued)*

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	For the six months ended 30 June **2007**	2006 *(restated)*
Including: net profit attributable to equity shareholders of the Company		**546,408**	541,733
Including: loss of acquiree before business combination		**—**	(1,198)
minority interest		**147,483**	78,928
Including: loss of acquiree before business combination		**—**	(63)
Earnings per share *(RMB)*:			
Basic earnings per share		**0.091**	0.090
Diluted earnings per share		**0.091**	0.090

These financial statements were approved by the Board of Directors on 23 August 2007.

Cao Peixi	**Zhu Fangxin**	**Tao Yunpeng**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 68 to 182 form part of these financial statements.

INCOME STATEMENT

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	For the six months ended 30 June 2007	2006 (restated)
Turnover	32	**3,932,708**	3,766,710
Less: Cost of sales	33	**(3,224,484)**	(2,953,517)
Sales taxes and surcharges	34	**(43,750)**	(53,713)
Administrative expenses		**(153,354)**	(151,874)
Financial expenses	35	**(182,979)**	(81,327)
Add: Investment income	36	**66,292**	197,058
Including: investment income from associates and jointly controlled entity		**66,292**	18,843
Operating profit		**394,433**	723,337
Add: Non-operating income		**277**	5
Less: Non-operating expenses		**(380)**	(287)
Total profit		**394,330**	723,055
Less: Income tax	37	**(81,785)**	(180,124)
Net profit		**312,545**	542,931

These financial statements were approved by the Board of Directors on 23 August 2007.

Cao Peixi	**Zhu Fangxin**	**Tao Yunpeng**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	For the six months ended 30 June 2007	2006 *(restated)*
Cash flow from operating activities:			
Cash received from sales of electricity and heat		**10,285,548**	7,980,053
Other cash received relating to operating activities		**140,372**	22,912
Sub-total of cash inflow from operating activities		**10,425,920**	8,002,965
Cash paid for goods and services		**(5,347,824)**	(3,828,904)
Cash paid to and for employees		**(560,092)**	(515,388)
Cash paid for all types of taxes		**(1,229,486)**	(1,171,780)
Other cash paid relating to operating activities		**(175,624)**	(314,300)
Sub-total of cash outflow from operating activities		**(7,313,026)**	(5,830,372)
Net cash flow from operating activities	38	**3,112,894**	2,172,593

Cao Peixi
Legal representative

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Person in charge of the accounting affairs

Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	**2007**	2006 *(restated)*
		For the six months ended 30 June	
Cash flow from investing activities:			
Cash received from disposal of investments		**—**	84,761
Cash received from investment income		**55,748**	15,427
Acquisition of a subsidiary, net of cash required		**—**	43,178
Other cash received relating to investing activities		**113,700**	5,324
Sub-total of cash inflow from investing activities		**169,448**	148,690
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(5,487,054)**	(5,501,839)
Cash paid for acquisitions of investments		**(15,160)**	(510,174)
Other cash paid relating to investing activities		**(3,247)**	(49,553)
Sub-total of cash outflow from investing activities		**(5,505,461)**	(6,061,566)
Net cash flow from investing activities		**(5,336,013)**	(5,912,876)

Cao Peixi
Legal representative

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Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	For the six months ended 30 June 2007	2006 (restated)
Cash flow from financing activities:			
Proceeds from investments		**56,286**	473,642
Including: proceeds from investments from minority shareholders of subsidiaries		**56,286**	473,642
Proceeds from borrowings		**16,868,977**	11,975,669
Proceeds from special payables		**—**	27,200
Decrease in guarantee deposits of bank acceptance bills		**280,697**	—
Other cash received relating to financing activities		**154,243**	13,380
Sub-total of cash inflow from financing activities		**17,360,203**	12,489,891
Repayment of borrowings		**(14,308,754)**	(7,959,064)
Cash paid for dividends, profits or interest		**(1,071,793)**	(967,736)
Including: dividends and profits paid to minority shareholders		**(7,497)**	(11,338)
Other cash paid relating to financing activities		**(38,924)**	(7,975)
Sub-total of cash outflow from financing activities		**(15,419,471)**	(8,934,775)
Net cash flow from financing activities		**1,940,732**	3,555,116

Cao Peixi
Legal representative

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Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT *(continued)*

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	**2007**	2006 *(restated)*
		For the six months ended 30 June	
Net decrease in cash and cash equivalents		**(282,387)**	(185,167)
Add:Cash and cash equivalent at the beginning of the period		**1,017,214**	850,524
Cash and cash equivalent at the end of the period		**734,827**	665,357

These financial statements were approved by the Board of Directors on 23 August 2007.

Cao Peixi
Legal representative

Zhu Fangxin
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Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CASH FLOW STATEMENT

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	**For the six months ended 30 June 2007**	2006
Cash flow from operating activities:			
Cash received from sales of electricity and heat		**4,672,696**	4,284,948
Other cash received relating to operating activities		**4,091**	2,206
Sub-total of cash inflow from operating activities		**4,676,787**	4,287,154
Cash paid for goods and services		**(2,636,334)**	(1,780,665)
Cash paid to and for employees		**(310,542)**	(313,301)
Cash paid for all types of taxes		**(612,534)**	(709,292)
Other cash paid relating to operating activities		**(140,213)**	(234,841)
Sub-total of cash outflow from operating activities		**(3,699,623)**	(3,038,099)
Net cash flow from operating activities	38	**977,164**	1,249,055

Cao Peixi	**Zhu Fangxin**	**Tao Yunpeng**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 68 to 182 form part of these financial statements.

CASH FLOW STATEMENT *(continued)*

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	For the six months ended 30 June **2007**	2006
Cash flow from investing activities:			
Cash received from disposal of investments		**—**	84,761
Cash received from investment income		**69,405**	39,731
Other cash received relating to investing activities		**11,733**	624,647
Sub-total of cash inflow from investing activities		**81,138**	749,139
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(748,808)**	(1,244,784)
Cash paid for acquisitions of investments		**(798,337)**	(1,520,146)
Other cash paid relating to investing activities		**(1,531)**	—
Sub-total of cash outflow from investing activities		**(1,548,676)**	(2,764,930)
Net cash flow from investing activities		**(1,467,538)**	(2,015,791)

Cao Peixi
Legal representative

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Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

CASH FLOW STATEMENT *(continued)*

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	Note	For the six months ended 30 June 2007	2006
Cash flow from financing activities:			
Proceeds from borrowings		**7,937,557**	4,215,699
Proceeds from special payables		**—**	26,200
Other cash received relating to financing activities		**614,914**	13,129
Sub-total of cash inflows		**8,552,471**	4,255,028
Repayment of borrowings		**(8,041,850)**	(3,180,603)
Cash paid for dividends, profits or interest		**(371,855)**	(562,513)
Increase in guarantee deposits for bank acceptance bills		**(67)**	—
Other cash paid relating to financing activities		**(31,478)**	(6,565)
Sub-total of cash outflows		**(8,445,250)**	(3,749,681)
Net cash flow from financing activities		**107,221**	505,347
Net decrease in cash and cash equivalents		**(383,153)**	(261,389)
Add: Cash and cash equivalent at the beginning of the period		**576,670**	484,574
Cash and cash equivalent at the end of the period		**193,517**	223,185

These financial statements were approved by the Board of Directors on 23 August 2007.

Cao Peixi	**Zhu Fangxin**	**Tao Yunpeng**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 68 to 182 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	2007							2006						
	Attributable to equity shareholders of the Company							Attributable to equity shareholders of the Company						
	Share capital	Capital reserve	Surplus reserve	Retained profits	Sub-total	Minority interest	Total equity	Share capital	Capital reserve	Surplus reserve	Retained profits	Sub-total	Minority interest	Total equity
Balance as at last year end	6,021,084	2,018,190	1,521,931	3,816,111	13,377,316	2,081,356	15,458,672	6,021,084	1,897,561	1,409,742	3,197,784	12,526,171	977,006	13,503,177
Change in accounting policies *(note 4)*	–	–	6,720	60,476	67,196	21,942	89,138	–	–	(3,698)	(33,281)	(36,979)	6,415	(30,564)
Adjustment on capital reserve of business combination involving entities under common control	–	9,500	–	(5,954)	3,546	187	3,733	–	9,500	–	(439)	9,061	477	9,538
Opening balance of the period	6,021,084	2,027,690	1,528,651	3,870,633	13,448,058	2,103,485	15,551,543	6,021,084	1,907,061	1,406,044	3,164,064	12,498,253	983,898	13,482,151
Changes in amount during the period														
Net profit	–	–	–	546,408	546,408	147,483	693,891	–	–	–	542,931	542,931	78,991	621,922
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	419,787	419,787
Decrease in investment in subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	(7,710)	(7,710)
Capital injection from minority shareholders to subsidiaries	–	–	–	–	–	56,286	56,286	–	–	–	–	–	476,734	476,734
Capital contribution by the state	–	15,640	–	–	15,640	–	15,640	–	–	–	–	–	–	–
Adjustment on capital reserve of business combination involving entities under common control	–	(25,410)	–	–	(25,410)	–	(25,410)	–	–	–	(1,198)	(1,198)	(63)	(1,261)
Profit and loss directly attributable to shareholders' equity														
- Effect on other changes in shareholders' equity of the investee unit under equity method	–	(740)	–	–	(740)	–	(740)	–	–	–	–	–	–	–
Profit distribution	–	–	–	(373,307)	(373,307)	(13,518)	(386,825)	–	–	–	(391,370)	(391,370)	(11,338)	(402,708)
Closing balance of the period	6,021,084	2,017,180	1,528,651	4,043,734	13,610,649	2,293,736	15,904,385	6,021,084	1,907,061	1,406,044	3,314,427	12,648,616	1,940,299	14,588,915

These financial statements were approved by the Board of Directors on 23 August 2007.

Cao Peixi	**Zhu Fangxin**	**Tao Yunpeng**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 68 to 182 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

for the six months ended
from 1 January 2007 to 30 June 2007 (unaudited)
(Expressed in Renminbi'000)

	2007					2006				
	Share capital	**Capital reserve**	**Surplus reserve**	**Retained profits**	**Total equity**	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
Balance as at last year end	**6,021,084**	**2,018,190**	**1,521,931**	**3,816,111**	**13,377,316**	6,021,084	1,897,561	1,409,742	3,197,784	12,526,171
Change in accounting policies *(note 4)*	**–**	**–**	**6,720**	**60,476**	**67,196**	–	–	(3,698)	(33,281)	(36,979)
Opening balance of the period	**6,021,084**	**2,018,190**	**1,528,651**	**3,876,587**	**13,444,512**	6,021,084	1,897,561	1,406,044	3,164,503	12,489,192
Changes in amount during the period										
Net profit	**–**	**–**	**–**	**312,545**	**312,545**	–	–	–	542,931	542,931
Adjustment on capital reserve of business combination involving entities under common control	**–**	**(21,864)**	**–**	**–**	**(21,864)**	–	–	–	–	–
Capital contribution	**–**	**15,640**	**–**	**–**	**15,640**	–	–	–	–	–
Profit and loss directly attributable to shareholders' equity										
- Effect on other changes in shareholders' equity of the investee unit under equity method	**–**	**(740)**	**–**	**–**	**(740)**	–	–	–	–	–
Profit distribution	**–**	**–**	**–**	**(373,307)**	**(373,307)**	–	–	–	(391,370)	(391,370)
Closing balance of the period	**6,021,084**	**2,011,226**	**1,528,651**	**3,815,825**	**13,376,786**	6,021,084	1,897,561	1,406,044	3,316,064	12,640,753

These financial statements were approved by the Board of Directors on 23 August 2007.

Cao Peixi
Legal representative

Zhu Fangxin
Person in charge of the accounting affairs

Tao Yunpeng
Head of accounting department

The notes on pages 68 to 182 form part of these financial statements.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in Renminbi)

1 Company status

Huadian Power International Corporation Limited (hereinafter referred to as the "Company") is a joint stock company limited by shares established in the People's Republic of China (the "PRC") on 28 June 1994 and has its headoffice at 14 Jingsan Road, Jinan, Shandong Province, PRC. Its parent and ultimate holding company is China Huadian Corporation ("China Huadian").

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

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

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

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

1 Company status *(continued)*

Pursuant to Guo Zi Chan Quan [2006] No.700 "Notice on Approval of the Share Reform of Huadian Power International Corporation Limited" 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 (28 July 2006) as consideration, 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 not yet circulated due to restriction for disposal imposed on these shares.

All A shares and H shares of the Company rank pari passu in all material respects.

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

2 Basis of preparation of interim financial report

(1) Statement of compliance with the Accounting Standards for Business Enterprises

These financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises (2006) ("ASBE") (2006) issued by the Ministry of Finance of the PRC ("MOF"), and present truly and wholly the consolidated financial position and the financial position, the consolidated results of operations and the results of operations, as well as the consolidated cash flows and the cash flows of the Group.

(2) Accounting year

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

2 Basis of preparation of interim financial report and significant accounting policies *(continued)*

(3) Measurement attributes

The measurement basis used in the preparation of the Company's financial statements is the historical cost basis, except for fair value hedges (see note 3(11)(a)).

(4) Reporting currency

The Group's reporting currency is Renminbi. Currency used in preparing the financial statements by the Company is Renminbi.

3 The principal accounting policies

(1) Business combination and consolidated financial statements

(a) Business combination involving entities under common control

A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities that the acquirer receives in the acquisition are accounted for at the acquiree's carrying amount on the acquisition date. The difference between the carrying amount of the acquired net assets and the carrying amount of the consideration paid for the acquisition (or the total nominal value of shares issued) is initially recognised in the capital reserve, and the retained earnings of any shortfall. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(1) Business combination and consolidated financial statements *(continued)*

(b) Business combination involving entities not under common control

A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. The Group's asset consideration for the acquisition, and the liabilities incurred or assumed on the purchase date are measured at fair value. The difference between the fair value and the carrying amount is recognised in the profit or loss. The purchase date is the date on which the Group effectively obtains control of the acquiree.

The Group allocates the cost of a business combination on the purchase date and recognises the fair value of the acquiree's various identifiable assets, liabilities or contingent liabilities as they are acquired.

The excess of the cost of a business combination over the acquirer's interest in the fair value of the acquired identifiable net assets is recognised as goodwill.

When the cost of a business combination is less than the fair value of the identifiable net assets acquired, the Group reassess the measurement of the fair value of the various identifiable assets, liabilities or contingent liabilities acquired, as well as the measurement of the combination cost. Any excess remaining after the reassessment must be recognised in profit or loss.

(c) Consolidated financial statements

The scope of the financial statements' consolidation is defined by the controlling interest and includes investee units in which the Company, directly or indirectly through its subsidiaries, holds over 50% of the voting rights (except where evidence indicates that the Company cannot exercise control); or holds 50% or less of the voting rights but can exercise control over the investee units.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(1) Business combination and consolidated financial statements *(continued)*

(c) Consolidated financial statements *(continued)*

A subsidiary acquired by the Company, through a business combination involving entities under common control, is included in the scope of the Company's consolidated financial statements once the Company begins to exercise ultimate control over it. In preparing the consolidated financial statements, the subsidiary's operational results are included in the Company's consolidated income statement once the Company begins to exercise ultimate control over it. The opening balance of the consolidated financial statements and statements from prior periods are adjusted accordingly.

The operational results of a subsidiary acquired by the Company through a business combination involving entities not under common control are included in the Company's consolidated income statement from the purchase date. The operational results of the acquired subsidiary incorporated in the consolidated income statement are measured at the fair value of the various identifiable assets, liabilities, and contingent liabilities acquired on the purchase date.

The equity, as well as the gains and losses attributable to the minority shareholders are presented separately in the consolidated financial statements.

Where the accounting policies or accounting period adopted by the subsidiary are different from those adopted by the Company, necessary adjustments are made to the subsidiary's financial statements according to the Company's accounting policies and accounting period. All significant inter-company transactions, and any unrealised gains arising from inter-company transactions, have been eliminated on consolidation.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(2) Translation of foreign currencies

Capital injections by investors in foreign currency are translated into Renminbi at the spot exchange rates prevailing on the transaction dates. Other foreign currency transactions are translated into Renminbi at the spot exchange rates ruling on the transaction dates at initial recognition.

Spot exchange rates are quoted by the People's Bank of China, the State Administration of Foreign Exchange, or other exchange rates based on the published exchange rates.

Foreign currency monetary items are translated at the exchange rates current at the balance sheet date. Exchange gains and losses on foreign currency translation, except for those directly related to the acquisition or construction of qualifying assets (see note 3(17)), are dealt with in the profit or loss. The amount in reporting currency for foreign currency non-monetary items measured at historical cost shall not be changed. Foreign currency non-monetary items measured at fair value are translated using the exchange rates at the valuation date. After translation, the difference between the translated amount and the amount in the original reporting currency is recognised as capital reserve, if classified as available-for-sale financial assets of foreign currency non-monetary items; or dealt with in the profit or loss, if measured at fair value and with changes in the fair value stated in the profit or loss.

(3) Cash equivalents

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(4) Inventories

Inventories, comprising coal, fuel oil, materials, components and spare parts for consumption by power plants, are stated at cost, less provision for obsolescence.

The cost of inventories includes cost of purchase and, where applicable, transportation cost and handling fee. The cost of coal and fuel oil is calculated on the weighted monthly average basis. The cost of materials, components and spare parts is calculated on the weighted moving average basis.

The Group adopts a perpetual inventory system.

The Group makes provision for diminution in the value of inventories based on the excess of ending cost over the net realisable value of inventory, and recognise the amount in profit or loss for the period.

(5) Long-term equity investments

(a) Investment in subsidiaries

For a long-term equity investment resulting from a business combination involving entities under common control, the Group's initial investment cost is the carrying amount of its share of the owners' equity in an acquiree on the acquisition date. The difference between the initial investment cost, and the cash paid plus non-monetary assets transferred and the carrying amount of the liabilities assumed by the Group, is recognised as equity in the capital reserve (or capital premium), and in the retained earnings of any shortfall.

For a long-term equity investment resulting from business combination not involving entities under common control, the Group's initial investment cost is the cost of acquisition as determined on the acquisition date.

In terms of a long-term equity investment not resulting from a business combination, the consideration paid for the acquisition is recognised as the Group's initial investment cost.

On the individual financial statements, the cost method is used to account for its long-term equity investment in subsidiaries by the Company and it is recognised at cost less provision for impairment (note 3(10)) in the balance sheet. On the consolidated financial statements, it is accounted for according to note 3(1).

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(5) Long-term equity investments *(continued)*

(b) Investment in jointly controlled entities and associates

Jointly controlled entities are enterprises put under the common control of the Group and other investors as outlined in contractual arrangements. The common control refers to the control exercised over economic activities in accordance with contractual agreements and exists only when the controlling investors concur on significant financial and operational decisions related to economic activities.

Associates are those over which the Group exercises significant influence. The Group has the right to participate in making financial and operating policy decisions, but it has no control or joint control with other parties over the formulation of these policies.

When an investment in a jointly controlled entities and an associate is initially recognised, the Group's initial investment cost is recorded at the actual amount paid if the long-term equity investment was made in cash or at the fair value of securities, where the long-term equity investment has been made with the issue of equity securities. The initial investment cost for a long-term equity investment made by an investor is stated at the agreed price of a contract or an agreement.

The long-term equity investment in investee units under the Group's common control or substantial influence is accounted for using the equity method.

— The initial investment cost of a long-term equity investment is accounted for as the investment cost, if it is greater than the share of the fair value of the acquiree's identifiable net assets at the time of investment. Conversely, the share of the fair value of the acquiree's identifiable net assets at the time of investment is accounted for as the investment cost, if it is greater than the initial investment cost of the long-term equity investment. The difference between the long-term equity investment cost and the initial investment cost is recognised in the profit or loss.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(5) Long-term equity investments *(continued)*

(b) Investment in jointly controlled entities and associates *(continued)*

— After investing in jointly controlled entities and associates, the Group recognises its return on investment in line with its entitlement or assumed share of the investee units' realised net profits or losses, and adjusts the carrying amount of its long-term equity investment accordingly. The Group reduces the carrying amount of its long-term equity investment based on its entitled share of the profits distributed or the cash dividend declared by the investee units.

The Group's entitlement or assumed share of the investee units' realised net profits or losses is measured at the fair value of the investee units' various identifiable assets at the time of investment. Where the accounting policies and the accounting periods of the investee units differ from those of the Group, necessary adjustments are made to the investee units' financial statements in accordance with the Group's accounting policies and accounting period using the equity method.

When the Group's share of losses exceeds its interest in jointly controlled entities or associates, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent the Group has incurred legal or constructive obligations or made payments on behalf of the jointly controlled entities or associates. For this purpose, the Group's interest in jointly controlled entities or associates is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in jointly controlled entities or associate. The Group could continue to recognise the equity income if investment in jointly controlled entities or associates of the Group subsequently incurs net profits exceeds its unrecognised share of losses.

The Group provides for impairment losses from long-term equity investment in jointly controlled entities and associates in accordance with note 3(10).

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(5) Long-term equity investments *(continued)*

(c) Long-term equity investment in investee enterprises not under the Group's control, joint control, or significant influence and without quoted prices in active markets and reliably estimated fair values

The initial cost of investment in these entities is originally recognised in the same way as the initial investment cost and measurement principles for jointly controlled entities and associates. The cost method is used for subsequent calculation.

In accordance with note 3(11)(b), the Group provides for impairment loss for long-term equity investments without quoted prices in active markets or reliably estimated fair values and are accounted for using the cost method.

(6) Fixed assets and construction in progress

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

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 3(10)). Construction in progress is stated in the balance sheet at cost less impairment losses (see note 3(10)).

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

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(6) Fixed assets and construction in progress *(continued)*

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

	Estimated useful life	Estimated rate of residual value	Depreciation rate
Plants and buildings	20 - 35 years	3% - 5%	2.7% - 4.9%
Generators and related machinery and equipment	5 - 20 years	3% - 5%	4.8% - 19.4%
Others	5 - 10 years	3% - 5%	9.5% - 19.4%

The Group reviews the estimated useful lives, estimated rates of residual value and depreciation rates of fixed assets annually and will make any suitable adjustment.

(7) Operating lease charges

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

(8) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation and provision for impairment losses (see note 3(10)). Intangible assets with fixed useful lives are amortised at cost, less the estimated rate of residual value and the impairment loss provision over their estimated useful lives using the straight-line method, limited to the period stated in the land use right certificates.

Intangible assets whose economic benefit generating periods cannot be foreseen are classified as intangible assets with indefinite useful lives. As at the balance sheet date, no intangible assets with indefinite useful lives were recorded.

The Group reviews the useful lives of intangible assets with indefinite useful lives and the amortisation method annually and will make any suitable adjustment.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(9) Goodwill

In terms of a business combination involving entities not under common control, goodwill represents the excess of the cost of the business combination over the acquirer's interest in the fair value of the acquired identifiable net assets. The Group does not amortise goodwill. Goodwill is tested for impairment at the end of each financial year (see note 3(10)).

(10) Provision for impairment

Internal and external sources of information are reviewed at each balance sheet date for indications of impairment in the following assets:

— fixed assets;

— construction-in-progress;

— intangible assets with definite useful lives; and

— long-term equity investments (aside from long-term equity investments which are accounted for using the cost method, and have neither quoted prices in active markets nor reliably estimated fair values), etc.

Assets with indications of impairment are tested for impairment to estimate the recoverable amount. In addition, the recoverable amount of goodwill is estimated annually whether there is any indication of impairment. Goodwill is tested for impairment together with related asset units or groups of asset units.

An asset unit is the smallest identifiable group of assets that generates cash inflows largely independent of the cash inflows from other assets or asset units. It comprises assets which generate cash inflows. In identifying an asset unit, the Group primarily considers the asset unit's ability to independently generate cash inflows in addition to the management of production and operational activities, and the use or disposal of assets.

The recoverable amount is the higher of the net amount of the asset's (or asset unit's) fair value less the costs of disposal, and the present value of the asset's (or asset unit's) estimated future cash flows.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(10) Provision for impairment *(continued)*

The net amount of the asset's (or asset unit's) fair value less the costs of disposal is dependent on the selling price in fair trade less the costs of disposal directly attributable to the asset (or asset unit). The present value of the asset's (or asset unit's) estimated future cash flows is calculated based on the estimated future cash flows generated through the process of continuous use of and the disposal of the asset (or asset unit), discounted with an appropriate discount rate after considering factors such as the estimated future cash flows, the useful life, and discount rate.

The calculation of the recoverable amount shows that if the recoverable amount is less than the carrying amount of the asset (or asset unit), its carrying amount is reduced to the recoverable amount. The amount by which the carrying amount is reduced is the impairment loss, which is stated in the profit or loss. At the same time, a provision is made for the corresponding asset impairment.

Once the impairment loss is recognised, it cannot be reversed in subsequent accounting periods.

(11) Financial instruments

The Group's financial instruments include monetary funds, bond investment, receivables, payables, loans, and share capital, etc.

(a) Recognition and measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(11) Financial instruments *(continued)*

(a) Recognition and measurement of financial assets and financial liabilities *(continued)*

On initial recognition, based on its purpose of acquisition of assets and obligation of liabilities, the Group classifies its financial assets and liabilities into following different categories: financial assets and financial liabilities designated to be measured at fair value and with changes in the fair value charged to the profit or loss, loans and receivables, equity securities held to maturity, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are initially measured at fair value. The transaction costs for financial assets or financial liabilities designated to be measured at fair value, and with changes in the fair value charged to the profit or loss, are directly stated in the profit or loss. The transaction costs for other categories of financial assets or financial liabilities are included in the initially recognised amount.

— Financial assets and financial liabilities designated to be measured at fair value, and with changes in the fair value charged to the profit or loss (including trading financial assets or financial liabilities)

This category includes financial assets, financial liabilities, and derivative instruments held by the Group for sale or repurchase in the short term, but excludes derivative instruments designated as effective hedging tools, derivatives of financial guarantee contracts, derivatives linked to an equity investment which has neither a quoted price in an active market nor a reliably estimated fair value and shall be settled upon delivery of the said equity instrument.

Subsequent to initial recognition, the financial assets and financial liabilities designated to be measured at fair value, and with changes in the fair value charged to profit or loss, are measured at fair value, and the gains or losses arising from changes in the fair value are stated in the profit or loss.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(11) Financial instruments *(continued)*

(a) Recognition and measurement of financial assets and financial liabilities *(continued)*

— Receivables

Receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in active markets.

Subsequent to initial recognition, receivables are measured at amortised cost using the effective interest rate method.

— Available-for-sale financial assets

Financial assets classified as available-for-sale are either designated as available-for-sale non-derivative financial assets, or are not categorised at initial recognition.

Equity instrument investments which have neither quoted prices in active markets nor reliably estimated fair values are measured at cost after initial recognition.

Aside from the above equity instrument investments where the fair value cannot be measured reliably, other available-for-sale financial assets are measured at fair value after initial recognition. The gains or losses arising from changes in the fair value are directly recognised in equity, except for the impairment losses and exchange differences from monetary financial assets denominated in foreign currency, which are stated in the profit or loss. The cumulative gains and losses previously recognised in equity are transferred to the profit or loss when the available-for-sale financial assets are derecognised.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(11) Financial instruments *(continued)*

(a) Recognition and measurement of financial assets and financial liabilities *(continued)*

— Other financial liabilities

Other financial liabilities are financial liabilities aside from those measured at fair value, with changes in the fair value charged to profit and loss. Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest rate method. The effective interest rate is the interest rate used to discount the financial assets' future cash flows over their anticipated duration or a shorter applicable period, into their current carrying amounts.

(b) Impairment of financial assets

The Group reviews the carrying amount of financial assets (except those measured at fair value, and with changes in the fair value charged to profit or loss) at each balance sheet date, and on objective evidence of impairment, makes provision for it.

— Receivables

If objective evidence suggests that a receivable carried at amortised cost is impaired, its carrying amount is reduced to the present value of its estimated future cash flow (excluding unrealised future credit loss), discounted at the original effective interest rate. This reduced amount is the financial assets' impairment loss and is charged to the profit or loss. Individual significant receivables are tested for impairment separately.

After recognising the impairment loss for a financial asset carried at amortised cost, the impairment loss is reversed through profit or loss if evidence suggests that its carrying amount has increased, and this can be linked objectively to an event after the recognition of the impairment loss. The reversed carrying amount shall not exceed the amortised cost on the reversal date, had no impairment been recognised.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(11) Financial instruments *(continued)*

(b) Impairment of financial assets *(continued)*

— Available-for-sale financial assets

When an available-for-sale financial asset is impaired albeit not derecognised, the cumulative losses from the decrease in fair value which had previously been recognised directly in equity, are reversed and charged to profit or loss.

After recognising the impairment loss for an available-for-sale debt instrument, the impairment loss is reversed through the profit or loss if in subsequent periods, the increase of the fair value can be linked objectively to an event after the recognition of the impairment loss. Impairment loss for an available-for-sale equity instrument investment is not reversed through the profit or loss.

— Investment in equity instruments which have neither quoted prices in active markets nor reliably estimated fair values

When an investment in an equity instrument which has neither quoted prices in active markets nor a reliably estimated fair value is impaired, the difference between the carrying amount of the investment or the derivative financial asset, and the present value of the future cash flows discounted at the market yield rate of similar financial assets at the time, is recognised as impairment loss, and stated in profit or loss. The impairment loss cannot be reversed.

(c) Estimation of fair value

If the market for a financial asset or financial liability is active, the quoted prices in the active market are used to determine its fair value. If the market for a financial instrument is not active, valuation techniques are used to establish its fair value.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(11) Financial instruments *(continued)*

(c) Estimation of fair value *(continued)*

Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, with reference to the current fair value of another financial instrument that is substantially the same and discounted cash flow analysis. The Group regularly assesses its valuation methods to test their validity.

(d) Derecognition of financial assets and financial abilities

The Group derecognises a financial asset when the contractual right to receive cash flows from the financial asset expires, or where the Group substantially transfers all risks and rewards of ownership.

Where the entire transfer of financial assets meets conditions applicable to derecognition, the difference between the following amounts is recognised in profit or loss:

— the carrying amount of the transferred financial asset;

— the sum of the consideration received from the transfer and the cumulative changes in the fair value which were previously recognised directly in equity.

Where the obligations for financial liabilities are completely or partially discharged, the entire or part of financial liabilities are derecognised.

(e) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

The consideration received from the issue of equity instruments, less transaction costs, is recognised in share capital and capital reserve.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(12) Employee benefits

Employee benefits include various payments and other related expenses paid in return for services rendered by employees. All benefits payable (other than termination benefits) in the accounting year in which services are rendered by employees are recognised in liability, and the cost of assets or expenses are correspondingly increased.

(a) Retirement benefits

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a basic social retirement plan for employees set up by the local labour and social security organisation. The Group contributes to the retirement scheme in accordance with the contribution base and proportions set by the local government. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the local labour and social security organisation is responsible for paying their basic social pension. The Group does not have any other obligations in this respect.

(b) Housing accumulation fund and other social insurance

In addition to retirement benefits, the Group pays toward a housing accumulation fund and other social insurance covering basic medical care, unemployment, work injury and maternity, etc. for its employees in accordance with legal and regulatory requirements and policies. The Group makes monthly contributions to the provident fund and the above social insurance based on the employees' salaries. The contributions are charged to the profit or loss on an accrual basis.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(13) Income tax

Current tax and movements in deferred tax (or income) are recognised in the profit or loss except to the extent that they relate to transactions or events recognised directly in equity, in which case they are recognised in equity.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets or liabilities and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits in subsequent years. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available to offset deductible temporary differences.

Temporary differences in a transaction, which is not a business combination, and at the time of transaction, affects neither accounting profit nor taxable profit (or unused tax losses), will not result in deferred tax. Neither will temporary differences arising from the initial recognition of goodwill result in related deferred tax.

Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted by the balance sheet date.

The carrying amounts of deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

(14) Provisions and contingent liabilities

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(14) Provisions and contingent liabilities *(continued)*

In terms of a potential obligation resulting from a past transaction or event, yet to be confirmed by uncertain future events that may or may not occur, or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the potential or present obligation is disclosed as a contingent liability.

(15) Revenue recognition

Revenue is the total inflow of economic benefits generated from the Group's normal activities, which causes shareholders' equity to increase but is unrelated to a shareholder's injection of capital. Revenue is recognised only when it is probable that an inflow of economic benefits will cause assets to increase or liabilities to decrease, and that the amount of the economic benefits' inflow can be measured reliably. Revenue is recognised specifically as follows:

(a) Electricity income

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

(b) Heat income

Heat income is recognised when heat is supplied to customers.

(c) Interest income

Interest income is recognised as it accrues using the effective interest method.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(16) Government grants

Government grants are gratuitous monetary assets or non-monetary assets that the Group receives from the government, excluding capital injection from the government as an investor. Special funds injected by the government for investment purposes are deemed as investment injections rather than grants, and are therefore dealt with in the capital reserve in accordance with the regulations specified in related documents issued by the government.

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with their conditions.

Monetary assets of government grants are calculated as the amount received or receivable, whereas non-monetary assets are measured at fair value.

The asset-related government grants received are recognised as deferred income, and carried evenly in the profit or loss over the assets' useful lives. Revenue-related government grants are recognised as deferred income, and stated in the profit or loss for the period in which the costs are charged if the grants compensate the Group for future expenses or losses; or directly recognised in the profit or loss if the grants compensate the Group for past expenses or losses.

(17) Capitalisation of borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset are capitalised as part of the cost of that asset.

Aside from the above, other borrowing costs are charged to financial expenses when incurred.

During the capitalisation period, the amount of interest (including the amortisation of discounts or premiums) eligible for capitalisation in each accounting period is determined as follows:

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(17) Capitalisation of borrowing costs *(continued)*

— For the specific borrowings for the acquisition or construction of a qualifying asset, the interest expenditures are calculated using the effective interest rates current at that time less any interest income on the deposit of the unused borrowings in banks, or any investment income on the temporary investment of those borrowings.

— For the general borrowings for the acquisition or construction of a qualifying asset, the amount of interest eligible for capitalisation is calculated by multiplying the weighted average of the excess of accumulated expenditures on the asset over special borrowings with the capitalisation rate of general borrowings. The capitalisation rate is the weighted average of general borrowing costs using the effective interest rate.

The capitalisation period is the period from the commencement date to the cessation date of the capitalisation of borrowing costs, which does not include the period during which the capitalisation has been suspended. When the process of the acquisition or construction of a qualifying asset is unusually interrupted for more than three consecutive months, the capitalisation is suspended.

(18) Distribution of dividend

Subsequent to the balance sheet date, the dividend or profit proposed for distribution in the approved profit appropriation proposal is not carried as a liability as at the balance sheet date. Instead, it is separately disclosed in the notes.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(19) Related parties

If the Group controls, jointly controls or exercises significant influence over another party, or vice versa, or where the Group and one party are subject to control, joint control or significant influence from another party, they are considered to be the related parties. Related parties may be individuals or enterprises. Where enterprises are subject to state control but are otherwise unrelated, they are not related parties. The Group's related parties include, but are not limited to:

(a) the Company's parent company;

(b) the Company's subsidiaries;

(c) other enterprises which are controlled by the Company's parent company;

(d) investors who exercise joint control over the Group;

(e) investors who exercise significant influence over the Group;

(f) the Group's jointly controlled entities;

(g) the Group's associates;

(h) the Group's major investors and their close family members;

(i) the Group's key management personnel and their close family members;

(j) key management personnel from the Company's parent company;

(k) close family members of key management personnel from the Company's parent company; and

(l) other enterprises which are subject to control, joint control or significant influence from the Group's major investors, key management personnel or their close family members.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(19) Related parties *(continued)*

Aside from those identified above as the Group's related parties pursuant to the stipulations of ASBE (2006), the Group's related parties also include (but are not limited to) the following enterprises or individuals in accordance with the requirements of the Administrative Measures for the Disclosure of Information of Listed Companies issued by the China Securities Regulatory Commission:

(m) enterprises or persons acting in concert that hold over 5% of the Company's shares;

(n) individuals and their close family members who, directly or indirectly, hold over 5% of the Company's shares;

(o) those belonging to (a), (c) and (m) in the past 12 months or in the next 12 months under the arrangement of a related agreement;

(p) those belonging to one of the conditions referred to in (i), (j), and (n) in the past 12 months or in the next 12 months under the arrangement of a related agreement; and

(q) enterprises (except for the Company and its holding subsidiaries) directly or indirectly controlled by (i), (j), (n), and (p), or that employ (i), (j), (n), and (p) as directors or senior management personnel.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

3 The principal accounting policies *(continued)*

(20) 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.

4 Explanation of changes in accounting policies

(1) Changes in accounting policies and their effects

The Group began to adopt ASBE (2006) on 1 January 2007, with the significant accounting policies summarized in note 3.

The Group has issued H-shares. In previous years, the financial statements were reported using the applicable Accounting Standards for Business Enterprises and International Financial Reporting Standards (IFRS). Pursuant to the requirements of the Opinions of Expert Working Group on Problems in the Implementation of Accounting Standards for Business Enterprises ("the Opinions") issued on 1 February 2007 by the Expert Working Group on Problems in the Implementation of Accounting Standards for Business Enterprises set up by the China Accounting Standards Committee, the Group, on the first day of adopting ASBE (2006), made retrospective adjustments on the following principles to items affected by the changes in the accounting policies.

4 Explanation of changes in accounting policies *(continued)*

(1) Changes in accounting policies and their effects *(continued)*

Where the principles stipulated in ASBE (2006) differ from those of the accounting standards adopted in prior years, and if the Group had adopted the principles stipulated in ASBE (2006) while preparing the prior years' financial statements in accordance with IFRS, the Group, based on the information used in preparing the prior years' financial statements, made retrospective adjustments to those items affected by the changes in the accounting policies. In addition, retrospective adjustments were made to other items in accordance with the related requirements of ASBE No. 38 - First-time adoption of Accounting Standards for Business Enterprises.

Aside from the retrospective adjustments made in line with the changes in (a), (b), (f) and (g) below in accordance with the requirements of the Opinions and ASBE No. 38, the Group has made no other retrospective adjustments to items affected by the changes in the accounting policies.

The Group's significant accounting policies have changed in the following ways as a result of the adoption of ASBE (2006):

(a) Business combination and goodwill

In a business combination, the combination cost and the debit balance arising from the Group's interest in the owners' equity of an acquiree were previously recognised as the equity investment difference or goodwill, and amortised evenly to the profit or loss over the investment period. The credit balance was recognised in the capital reserve or as negative goodwill. Now, a business combination is accounted for differently depending on whether it involves entities under common control (see note 3(1)). The goodwill of a business combination involving entities not under common control is not amortised. The following adjustments or retrospective adjustments have been made to business combinations carried out prior to 1 January 2007:

— The amortised value of the goodwill of a business combination involving entities under common control carried out prior to 1 January 2007 was fully written off, with retrospective adjustments made to the related items of the 2006 comparative financial statements.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

4 Explanation of changes in accounting policies *(continued)*

(1) Changes in accounting policies and their effects *(continued)*

(b) Investment in subsidiaries, jointly controlled entities and associates

An investment in a subsidiary is now accounted for in the parent company's financial statements using the cost method rather than the previous equity method.

An investment in a jointly controlled entity is now accounted for in the consolidated financial statements using the equity method rather than the previous proportionate consolidation method.

Where the equity method was used to account for an investment in a jointly controlled entity and an associate, the initial investment cost and the debit balance arising from the Group's interest in the owners' equity in an investee unit were previously amortised evenly to the profit or loss over the investment period. The credit balance was recognised in the capital reserve. Now, the initial investment cost of a long-term equity investment is accounted for as the investment cost, if it is greater than the share of the fair value of the acquiree's identifiable net assets at the time of investment. Conversely, the share of the fair value of the acquiree's identifiable net assets at the time of investment is accounted for as the investment cost, if it is greater than the initial investment cost of the long-term equity investment. The difference between the long-term equity investment cost and the initial investment cost is recognised in the profit or loss.

On 1 January 2007, the following retrospective adjustments were made in line with the above changes in the accounting policies:

— The equity investment difference yet to be amortised in a long-term equity investment arising from a business combination involving entities under common control prior to 1 January 2007 was fully written off on 1 January 2007. The book balance of the long-term equity investment after the write-off was recognised as the cost as at 1 January 2007, with retrospective adjustments made to the related items in the financial statements as at 1 January 2007 and the related items in the 2006 comparative financial statements.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

4 Explanation of changes in accounting policies *(continued)*

(1) Changes in accounting policies and their effects *(continued)*

(b) Investment in subsidiaries, jointly controlled entities and associates *(continued)*

— The credit balance of other long-term equity investments using the equity method was fully written off on 1 January 2007. The book balance of the long-term equity investment after the write-off was recognised as the cost as at 1 January 2007, with retrospective adjustments made to the related items in the financial statements as at 1 January 2007 and the related items in the 2006 comparative financial statements.

(c) Financial instruments

Financial assets, financial liabilities and equity instruments were previously accounted for on an historical cost basis. Now, they are carried at fair value, amortised cost, or cost depending on the categories they belong to in accordance with the principles specified in note 3(11).

No major difference was detected between the fair values and the carrying values of the financial assets and liabilities held by the Group on 1 January 2007. Therefore, no retrospective adjustment has been made in line with the changes in the accounting policies for these financial instruments.

(d) Reversal of impairment losses from long-term equity investment, fixed assets, intangible assets, and goodwill

Previously, where indications of changes in various factors that led to the provision of impairment losses, from prior years' long-term equity investment, fixed assets and intangible assets, resulted in the recoverable amount of an asset being higher than its carrying value, the impairment losses recognised in prior years were reversed. Now, they cannot be reversed.

No retrospective adjustment has been made in line with the changes in the accounting policies for the above asset impairment.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

4 Explanation of changes in accounting policies *(continued)*

(1) Changes in accounting policies and their effects *(continued)*

(e) Government grants

Asset-related government grants (excluding government capital injections) were previously recognised in the capital reserve once they met the grants' conditions. Now, they are recognised in deferred income, and credited evenly to the profit or loss over the related assets' useful lives.

No retrospective adjustment has been made in line with the changes in the accounting policies for the above government grants.

(f) Borrowing costs

Borrowing costs on general borrowings for the acquisition and construction of a fixed assets and on unused specific borrowings (after deducting any interest income on the deposit of the unused borrowings in banks, or any investment income on the temporary investment of those borrowings), were previously charged directly to the profit or loss as incurred. Now, borrowing costs which fulfil specific conditions are capitalised as part of that asset's cost.

Retrospective adjustments are made, in line with the changes in the accounting policies for the above borrowing costs, to the related items in the 2006 comparative financial statements based on the information used in preparing the prior years' financial statements in accordance with IFRS.

(g) Pre-operating expenditures

Aside from the acquisition and construction of fixed assets, all expenses incurred during the start-up period were previously aggregated in the long-term deferred expenses and then fully charged to the profit or loss at the month in which operations commenced. Now, the expenses are recognised in the profit or loss as they are incurred.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

4 Explanation of changes in accounting policies *(continued)*

(1) Changes in accounting policies and their effects *(continued)*

(g) Pre-operating expenditures *(continued)*

Pre-operating expenditures of the Group incurred during second half of 2006 and retrospective adjustment has been made in line with the changes in the accounting policies for the above pre-operating expenditures, to the related items in the 2007 opening balance based on the information used in preparing the prior years' financial statements in accordance with IFRS.

(2) The above changes in accounting policies has influence on net profit and shareholders' equity of the Group and the Company for the six months ended 30 June 2006 and prior year as follows:

		The Group			The Company		
		2006	2006	2006	2006	2006	2006
			Closing	Opening		Closing	Opening
			shareholders'	shareholders'		shareholders'	shareholders'
		Net profit	equity	equity	Net profit	equity	equity
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net profit and shareholders' equity before adjustments		507,747	12,642,548	12,526,171	507,747	12,642,548	12,526,171
Long-term equity investment difference from business combination involving entities under common control	4(1)(b)	–	–	–	2,976	(75,491)	(78,467)
Carrying value of goodwill from business combination involving entities under common control	4(1)(a)	2,976	(75,491)	(78,467)	–	–	–
Capitalisation of borrowing costs on general borrowings	4(1)(f)	36,255	84,158	47,903	32,208	73,696	41,488
Minority interest		74,944	1,929,423	977,006	–	–	–
Total		114,175	1,938,090	946,442	35,184	(1,795)	(36,979)
Net profit and shareholders' equity after adjustments		621,922	14,580,638	13,472,613	542,931	12,640,753	12,489,192

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

4 Explanation of changes in accounting policies *(continued)*

(2) The above changes in accounting policies has influence on net profit and shareholders' equity of the Group and the Company for the six months ended 30 June 2006 and prior year as follows: *(continued)*

Assets and liabilities affected as at 31 December 2006

		The Group			The Company		
	Note	Before adjustments RMB'000	Adjustments RMB'000	After adjustments RMB'000	Before adjustments RMB'000	Adjustments RMB'000	After adjustments RMB'000
Cash at bank and in hand		1,283,980	(5,739)	1,278,241	576,989	—	576,989
Bills receivable		8,551	(1,483)	7,068	—	—	—
Trade receivables		1,566,553	(47,402)	1,519,151	530,690	—	530,690
Prepayments		60,567	(60)	60,507	27,347	—	27,347
Other receivables	*	46,978	(575)	46,403	319,910	—	319,910
Inventories		748,511	(17,570)	730,941	299,032	—	299,032
Long-term equity investments		1,968,304	(136,243)	1,832,061	6,845,111	(36,092)	6,809,019
Fixed assets		36,399,959	(1,138,924)	35,261,035	14,756,536	21,233	14,777,769
Construction in progress		6,336,183	(116,526)	6,219,657	1,392,458	43,674	1,436,132
Intangible assets	*	184,270	511,434	695,704	118,037	78,777	196,814
Long-term deferred expenses		25,179	(25,179)	—	—	—	—
Goodwill		—	274,209	274,209	—	7,019	7,019
Deferred tax assets		95,604	32,375	127,979	82,274	—	82,274
Short-term loans		(10,072,402)	77,500	(9,994,902)	(4,486,902)	—	(4,486,902)
Trade payables		(3,061,574)	51,090	(3,010,484)	(1,231,025)	—	(1,231,025)
Salaries and welfare payable	*	(248,173)	(28,487)	(276,660)	(178,056)	(10,599)	(188,655)
Other creditors	*	(28,831)	28,831	—	(12,181)	12,181	—
Other payables	*	(1,257,105)	38,434	(1,218,671)	(611,412)	4,877	(606,535)
Tax payables	*	(262,504)	(57,097)	(319,601)	(176,958)	(53,874)	(230,832)
Long-term loans due within one year		(2,429,078)	60,000	(2,369,078)	(1,479,935)	—	(1,479,935)
Long-term loans		(19,246,426)	650,500	(18,595,926)	(3,726,841)	—	(3,726,841)
Special payables	*	(24,940)	9,300	(15,640)	(15,640)	—	(15,640)
Deferred tax liabilities		(478,540)	(40,890)	(519,430)	—	—	—
Other non-current liabilities	*	—	(28,360)	(28,360)	—	—	—
Surplus reserve		(1,521,931)	(6,720)	(1,528,651)	(1,521,931)	(6,720)	(1,528,651)
Retained profits		(3,816,111)	(60,476)	(3,876,587)	(3,816,111)	(60,476)	(3,876,587)
Minority interest		(2,081,356)	(21,942)	(2,103,298)	—	—	—
Total		4,195,668	—	4,195,668	7,691,392	—	7,691,392

* *Apart from making retrospective adjustment to balance sheet items as at 31 December 2006 according to note 4(1), the Group also reclassify the balance sheet items as at 31 December 2006 according to ABSE No.38 - First-time adoption of Accounting Standards for Business Enterprises.*

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

4 Explanation of changes in accounting policies *(continued)*

(3) The reconciliation of the pro-forma net profit as if the Group had adopted ASBE from 1 January 2006 is as follows:

	The Group For the six months ended 30 June 2006 *RMB'000*
Amount after change in accounting policies	621,922
Loss of acquiree before business combination involving entities under common control	(1,261)
Restated amount according to ASBE	620,661
Difference between long-term equity investment cost	6,720
Pro-forma amount as if first adoption of ASBE from 1 January 2006	627,381

5 Taxation

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

Value added tax ("VAT")	
- Sales of electricity	17%
- Sales of heat	13%
City maintenance and construction tax	1 - 7%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

5 Taxation *(continued)*

(2) Income tax

The income tax rate applicable to the Group is 33% (2006: 33%), except for Sichuan Guangan Power Generation Company Limited ("Guangan Company").

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

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

Note: *Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Issues Concerning Tax Preferential Policies on the Development of the Western Region (Cai Shui [2001] No. 202) and the Notice of the State Administration of Taxation on Opinions Regarding the Implementation of Taxation Policies on the Development of the Western Region (Guo Shui Fa [2002] No. 47), during the period from 2001 to 2010, upon verification and confirmation by tax authorities, enterprises may enjoy a reduced enterprise income tax rate of 15%. In accordance with the approval document issued by the State Administration of Taxation of Sichuan Province, Guangan Company's enterprise income tax rate for the six months ended 30 June 2006 and 2007 had been reduced to 15%.*

There are no changes in the tax rate and the preferential tax treatments applicable to the Company and its subsidiaries this year when compared with the corresponding period of last year.

Since 1 January 2008, the income tax rate applicable to the Group will be 25%, except for Guangan Company.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

5 Taxation *(continued)*

(3) Taxes payable

	The Group		The Company	
	30 June 2007 ***RMB'000***	31 December 2006 *RMB'000* *(restated)*	**30 June 2007** ***RMB'000***	31 December 2006 *RMB'000* *(restated)*
VAT payable	**122,795**	141,626	**61,390**	84,564
City maintenance and construction tax payable	**12,490**	22,719	**1,007**	11,304
Enterprise income taxes payable	**71,661**	136,205	**48,217**	116,074
Prepaid enterprise income tax	**(15,322)**	(14,389)	**—**	—
Others	**15,989**	33,456	**7,134**	18,890
Total	**207,613**	319,617	**117,748**	230,832

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

6 Business combination and consolidated financial statements

(1) At 30 June 2007, the following subsidiaries are included in the Company's consolidated financial statements:

(a) Subsidiaries acquired through business combination involving entities under common control:

Investee name	Place of registration	Principal operation	Registered capital *RMB'000*	Controlling party under common control	Closing effective investment cost *RMB'000*	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
Guangan Company	Guangan, the PRC	Generation and sale of electricity	1,785,860	China Huadian	1,688,120	80%	80%
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	Xinxiang, the PRC	Generation and sale of electricity	379,000	China Huadian	365,596	90%	90%
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Suzhou, the PRC	Generation and sale of electricity (under construction)	220,934	China Huadian	208,783	97%	97%
Anhui Huadian Wuhu Power Company Limited ("Wuhu Company")	Wuhu, the PRC	Generation and sale of electricity (under construction)	110,000	China Huadian	98,546	95%	95%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

6 Business combination and consolidated financial statements *(continued)*

(1) At 30 June 2007, the following subsidiaries are included in the Company's consolidated financial statements: *(continued)*

(b) Subsidiaries acquired through business combination involving entities not under common control:

Investee name	Place of registration	Principal operation	Registered capital *RMB'000*	Closing effective investment cost *RMB'000*	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
Huadian Qingdao Power Company Limited("Qingdao Company")	Qingdao, the PRC	Generation and sale of electricity and heat	700,000	761,034	55%	55%
Huadian Weifang Power Generation Company Limited ("Weifang Company")	Weifang, the PRC	Generation and sale of electricity	1,250,000	971,094	45%	45%
Huadian Zibo Power Company Limited ("Zibo Company")	Zibo, the PRC	Generation and sale of electricity and heat	374,800	461,560	100%	100%
Huadian Zhangqiu Power Company Limited ("Zhangqiu Company")	Zhangqiu, the PRC	Generation and sale of electricity and heat	745,828	670,790	87.5%	87.5%
Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Company")	Tengzhou, the PRC	Generation and sale of electricity and heat	274,172	249,880	88.16%	88.16%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

6 Business combination and consolidated financial statements *(continued)*

(1) At 30 June 2007, the following subsidiaries are included in the Company's consolidated financial statements: *(continued)*

(c) Subsidiaries acquired not through business combination:

Investee name	Place of registration	Principal operation	Registered capital *RMB'000*	Closing effective investment cost *RMB'000*	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	Lingwu, the PRC	Generation and sale of electricity and heat	150,000	94,274	65%	65%
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	Garze Tibetan Autonomous Region, the PRC	Generation and sale of electricity (under construction)	104,290	104,290	100%	100%
Jiangsu Huadian Binhai Wind Power Company Limited ("Binhai Wind Power Company")	Yancheng, the PRC	Generation and sale of electricity (under construction)	10,000	10,000	100%	100%
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Power Company")	Suzhou, the PRC	Generation and sale of electricity (under construction)	24,120	21,840	78%	78%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

6 Business combination and consolidated financial statements *(continued)*

(1) At 30 June 2007, the following subsidiaries are included in the Company's consolidated financial statements: *(continued)*

(c) Subsidiaries acquired not through business combination: *(continued)*

Investee name	Place of registration	Principal operation	Registered capital *RMB'000*	Closing effective investment cost *RMB'000*	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
Huadian International Shandong Materials Company Limited ("Materials Company")	Jinan, the PRC	Procurement of materials	50,000	55,088	100%	100%
Huadian Qingdao Heat Company Limited ("Qingdao Heat Company")	Qingdao, the PRC	Sale of heat	30,000	16,542	55%	55%
Huadian International Shandong Project Company Limited ("Project Company")	Jinan, the PRC	Management of construction project	3,000	3,716	100%	100%
Huadian International Shandong Information Company Limited ("Information Company")	Jinan, the PRC	Development and maintenance of information system to the Group	3,000	4,370	100%	100%
Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company")	Lingwu, the PRC	Generation and sale of electricity (under construction)	10,000	10,000	100%	100%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

6 Business combination and consolidated financial statements *(continued)*

(1) At 30 June 2007, the following subsidiaries are included in the Company's consolidated financial statements: *(continued)*

(d) Analysis of minority shareholders' equity of major subsidiaries is as follows:

Company name	**Minority interest 30 June 2007** *RMB'000*	Minority interest 1 January 2007 *RMB'000*
Guangan Company	**436,965**	382,030
Xinxiang Company	**6,443**	6,177
Suzhou Company	**7,433**	7,472
Wuhu Company	**5,042**	187
Qingdao Company	**645,953**	588,700
Weifang Company	**991,621**	934,669
Zhangqiu Company	**95,277**	85,617
Tengzhou Company	**35,244**	34,336
Lingwu Company	**53,905**	50,763
Suzhou Biomass Energy Power Company	**2,280**	—
Qingdao Heat Company	**13,573**	13,534
Total	**2,293,736**	2,103,485

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

6 Business combination and consolidated financial statements *(continued)*

(2) Business combination involving entities under common control during the period

On 1 January 2007 (date of acquisition), the Company acquired 95% equity interest of Wuhu Company, at cash consideration of RMB25,410,000. The carrying value of net assets of the acquiree at the date of acquisition was RMB3,733,000.

Wuhu Company was incorporated in Wuhu, the PRC, on 8 June 2004, where its headquarter was located at Wuhu, the PRC. The principal operation of the company is generation and sale of electricity (under construction). Both Wuhu Company and the Company are under common control of China Huadian.

Wuhu Company adopted Accounting Systems for Business Enterprises before acquisition, which its accounting policies were different from that of the Company. The Company made adjustments on Wuhu Company's financial statements under the Company's accounting policies at the date of acquisition. The financial information of Wuhu Company after adjustment is as follows:

	1 January 2007 and 31 December 2006 Carrying value *RMB'000*
Cash at bank and in hand	55,031
Designated loans	100,000
Prepayments and other receivables	7,098
Fixed assets, construction in progress and construction materials	767,256
Deferred tax assets	3,087
Short-term loans	(125,000)
Bills, trade and other payables	(303,739)
Long-term loans	(500,000)
Net assets	3,733

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

7 Cash at bank and in hand

	30 June 2007			31 December 2006		
	Original currency ***'000***	**Exchange rate**	**Renminbi/ Renminbi equivalent** ***'000***	Original currency *'000*	Exchange rate	Renminbi/ Renminbi equivalent *'000* *(restated)*
The Group						
Cash in hand			**2,927**			1,217
Cash at bank						
— Renminbi			**731,408**			1,015,943
— US dollars	**64**	**7.6155**	**487**	6	7.8087	46
— HK dollars	**5**	**0.9744**	**5**	8	1.0047	8
Cash and cash equivalents			**734,827**			1,017,214
Others			**35,361**			316,058
Total			**770,188**			1,333,272
The Company						
Cash in hand			**1,117**			581
Cash at bank						
— Renminbi			**191,908**			576,035
— US dollars	**64**	**7.6155**	**487**	6	7.8087	46
— HK dollars	**5**	**0.9744**	**5**	8	1.0047	8
Cash and cash equivalents			**193,517**			576,670
Others			**386**			319
Total			**193,903**			576,989

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

8 Bills receivable

All bills receivable held by the Group were bank acceptance bills at maturity within one year.

There is no amount due from shareholders who holds 5% or more voting right of Company included in balance of bills receivable.

9 Trade receivables

(1) Analysis of trade receivables by customers is as follows:

	The Group		The Company	
	30 June 2007 *RMB'000*	31 December 2006 *RMB'000* *(restated)*	**30 June 2007** *RMB'000*	31 December 2006 *RMB'000*
Customers (non-related party)	**1,398,032**	1,537,828	**478,070**	530,690
Less: Provision for bad and doubtful debts	**(18,677)**	(18,677)	**—**	—
Total	**1,379,355**	1,519,151	**478,070**	530,690

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

On 30 June 2007, total of five largest trade receivables are as follows:

	The Group		The Company	
	30 June 2007	31 December 2006 *(restated)*	**30 June 2007**	31 December 2006
Amount *(RMB'000)*	**1,369,931**	1,532,482	**478,070**	530,690
Percentage of total trade receivables	**97.99%**	99.65%	**100%**	100%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

9 Trade receivables *(continued)*

(2) The ageing analysis of trade receivables is as follows:

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	RMB'000	*RMB'000* *(restated)*	***RMB'000***	*RMB'000*
Within one year (including one year)	**1,348,733**	1,491,671	**478,070**	530,690
Between one and two years (including two years)	**17,309**	14,352	**—**	—
Between two and three years (including three years)	**185**	—	**—**	—
Over three years	**31,805**	31,805	**—**	—
Sub-total	**1,398,032**	1,537,828	**478,070**	530,690
Less: Provision for bad and doubtful debts	**(18,677)**	(18,677)	**—**	—
Total	**1,379,355**	1,519,151	**478,070**	530,690

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

9 Trade receivables *(continued)*

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

The Group

	30 June 2007				31 December 2006			
	Amount *RMB'000*	**Proportion**	**Provision** *RMB'000*	**Proportion**	Amount *RMB'000*	Proportion	Provision *RMB'000*	Proportion
Trade receivables								
— Individually significant amounts	**1,384,408**	**99.03%**	**18,677**	**1.3%**	1,521,853	98.96%	18,677	1.2%
— Other insignificant receivables	**13,624**	**0.97%**	**—**	**—**	15,975	1.04%	—	—
	1,398,032	**100.00%**	**18,677**	**1.3%**	1,537,828	100.00%	18,677	1.2%

The Company

	30 June 2007				31 December 2006			
	Amount *RMB'000*	**Proportion**	**Provision** *RMB'000*	**Proportion**	Amount *RMB'000*	Proportion	Provision *RMB'000*	Proportion
Trade receivables								
— Individually significant amounts	**478,070**	**100.00%**	**—**	**—**	530,690	100.00%	—	—
	478,070	**100.00%**	**—**	**—**	530,690	100.00%	—	—

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

10 Prepayments

The ageing analysis of prepayments is as follows:

	30 June 2007		31 December 2006	
	Amount ***RMB'000***	**Proportion**	Amount *RMB'000* *(restated)*	Proportion
The Group				
Within one year (including one year)	**93,583**	**100%**	66,678	100%
Less: Provision for bad and doubtful debts	**—**	**—**	—	—
Total	**93,583**	**100%**	66,678	100%
The Company				
Within one year (including one year)	**35,422**	**100%**	27,347	100%
Less: Provision for bad and doubtful debts	**—**	**—**	—	—
Total	**35,422**	**100%**	27,347	100%

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

11 Other receivables

(1) Analysis of other receivables by customers is as follows:

	The Group		The Company	
	30 June 2007 *RMB'000*	31 December 2006 *RMB'000* *(restated)*	**30 June 2007** *RMB'000*	31 December 2006 *RMB'000*
Amounts due from subsidiaries	**—**	—	**92,835**	283,717
Others	**86,166**	52,457	**27,673**	39,475
Sub-total	**86,166**	52,457	**120,508**	323,192
Less: Provision for bad and doubtful debts	**(5,127)**	(5,127)	**(3,282)**	(3,282)
Total	**81,039**	47,330	**117,226**	319,910

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

On 30 June 2007, total of the five largest other receivables are as follows:

	The Group		The Company	
	30 June 2007	31 December 2006 *(restated)*	**30 June 2007**	31 December 2006
Amount *(RMB'000)*	**36,271**	6,624	**98,074**	207,842
Percentage of other receivables	**42.1%**	12.6%	**81.4%**	64.3%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

11 Other receivables *(continued)*

(2) The ageing analysis of other receivables is as follows:

	The Group		The Company	
	30 June 2007 ***RMB'000***	31 December 2006 *RMB'000* *(restated)*	**30 June 2007** ***RMB'000***	31 December 2006 *RMB'000*
Within one year (including one year)	**71,204**	43,580	**111,813**	318,256
Between one and two years (including two years)	**8,096**	3,214	**3,999**	1,302
Between two and three years (including three years)	**1,555**	297	**1,359**	297
Over three years	**5,311**	5,366	**3,337**	3,337
Sub-total	**86,166**	52,457	**120,508**	323,192
Less: Provision for bad and doubtful debts	**(5,127)**	(5,127)	**(3,282)**	(3,282)
Total	**81,039**	47,330	**117,226**	319,910

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

11 Other receivables *(continued)*

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

The Group

	30 June 2007				31 December 2006			
	Amount *RMB'000*	Proportion	Provision *RMB'000*	Proportion	Amount *RMB'000*	Proportion	Provision *RMB'000*	Proportion
Other receivables								
— Individually significant amounts	20,525	23.82%	—	—	14,636	27.90%	—	—
— Other insignificant receivables	65,641	76.18%	5,127	7.8%	37,821	72.10%	5,127	13.6%
Total	86,166	100%	5,127	6.0%	52,457	100%	5,127	9.8%

The Company

	30 June 2007				31 December 2006			
	Amount *RMB'000*	Proportion	Provision *RMB'000*	Proportion	Amount *RMB'000*	Proportion	Provision *RMB'000*	Proportion
Other receivables								
— Individually significant amounts	83,835	69.57%	—	—	296,226	91.66%	—	—
— Other insignificant receivables	36,673	30.43%	3,282	8.9%	26,966	8.34%	3,282	12.17%
Total	120,508	100%	3,282	2.7%	323,192	100%	3,282	1.0%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

12 Inventories

(1) The movement analysis of inventories during the period is as follows:

	Opening balance *RMB'000* *(restated)*	Increase during the period *RMB'000*	Decrease during the period *RMB'000*	Closing balance *RMB'000*
The Group				
Coal	481,982	5,016,699	(5,026,414)	472,267
Fuel oil	49,806	148,535	(161,455)	36,886
Materials, components and spare parts	271,435	201,496	(175,905)	297,026
Sub-total	803,223	5,366,730	(5,363,774)	806,179
Less: Provision for diminution in value of inventories	(72,282)	—	—	(72,282)
Total	730,941	5,366,730	(5,363,774)	733,897
The Company				
Coal	150,632	2,238,059	(2,247,308)	141,383
Fuel oil	25,230	37,550	(48,730)	14,050
Materials, components and spare parts	181,372	85,712	(78,921)	188,163
Sub-total	357,234	2,361,321	(2,374,959)	343,596
Less: Provision for diminution in value of inventories	(58,202)	—	—	(58,202)
Total	299,032	2,361,321	(2,374,959)	285,394

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

12 Inventories *(continued)*

(2) Provision for diminution in value of inventories:

	The Group *RMB'000*	The Company *RMB'000*
Opening and closing balance — Materials, components and spare parts	72,282	58,202

13 Long-term equity investments

	The Group		The Company	
	30 June 2007 ***RMB'000***	31 December 2006 *RMB'000* *(restated)*	**30 June 2007** ***RMB'000***	31 December 2006 *RMB'000* *(restated)*
Investments in subsidiaries	**—**	—	**5,795,523**	5,022,458
Investments in jointly controlled entity	**198,221**	210,481	**198,221**	210,481
Investments in associates	**1,508,105**	1,486,041	**1,467,605**	1,445,541
Other equity investments	**140,539**	135,539	**135,539**	130,539
Sub-total	**1,846,865**	1,832,061	**7,596,888**	6,809,019
Less: Provision for impairment	**—**	—	**—**	—
Total	**1,846,865**	1,832,061	**7,596,888**	6,809,019

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

13 Long-term equity investments *(continued)*

(1) At 30 June 2007, the investment in principal subsidiaries of the Company are analysed as follows:

	Guangan Company	Qingdao Company	Weifang Company	Zibo Company	Zhangqiu Company	Tengzhou Company	Xinxiang Company	Suzhou Company	Lingwu Company	Luding Company	Wuhu Company	Other subsidiaries	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Initial investment cost *(restated)* *(note)*	1,688,120	761,034	971,094	461,560	670,790	249,880	365,596	208,783	94,274	104,290	98,546	121,556	5,795,523
Change in cost of investment													
Opening balance	1,528,120	761,034	980,127	461,560	459,453	249,880	105,596	208,783	94,274	79,290	–	94,341	5,022,458
Add: Additions	160,000	–	–	–	211,337	–	260,000	–	–	25,000	98,546	31,840	786,723
Less: Dividends received	–	–	(9,033)	–	–	–	–	–	–	–	–	(4,625)	(13,658)
Closing balance	1,688,120	761,034	971,094	461,560	670,790	249,880	365,596	208,783	94,274	104,290	98,546	121,556	5,795,523

Please see note 6 for detailed information of the corresponding subsidiaries.

Note: *The initial investment cost of subsidiaries is recognised based on the carrying value, after reduction of dividend, of long-term equity investment according to the requirements of ASBE No. 38 - First-time adoption of Accounting Standards for Business Enterprises and the Working Memoranda on 2006 Annual Report issued by listing division of Shanghai Stock Exchange.*

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

13 Long-term equity investments *(continued)*

(2) At 30 June 2007, the investment in the jointly controlled entity of the Group and the Company is analysed as follows:

	Ningxia Zhongning Power Company Limited ("Zhongning Company") *RMB'000*
Initial investment cost	142,800
Movement of cost of investment	
Opening balance	210,481
Add: Adjustments under equity method	25,671
Less: Cash dividends received	(37,931)
Closing balance	198,221

The interest in the jointly controlled entity of the Group and the Company is analysed as follow:

Name of investee enterprise	Place of registration	Principal operation	Registered capital *RMB'000*	Percentage of equity interest held by the Group and the Company	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets *RMB'000*	Closing balance of total liabilities *RMB'000*	Total revenue *RMB'000*	Net profit during the period *RMB'000*
Zhongning Company	Yinchuan, the PRC	Generation and sale of electricity	285,600	50%	50%	2,098,122	1,701,681	403,027	51,341

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

13 Long-term equity investments *(continued)*

(3) At 30 June 2007, the investment in principal associates of the Group and the Company are listed as follows:

The principal associate corporations of the Group and the Company

Associates	Initial investment cost *RMB'000* *(restated)* *(note)*	Opening balance *RMB'000* *(restated)*	Adjustments under equity method: Gain/(loss) in investment *RMB'000*	Adjustments under equity method: Transfer of capital reserve *RMB'000*	Cash dividends received *RMB'000*	Closing balance *RMB'000*
Ningxia Power Generation (Group) Company Limited ("Ningxia Power Company")	311,187	311,187	2,619	(740)	(9,167)	303,899
Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company")	250,392	250,392	(11,425)	—	—	238,967
Huadian Property Co. Ltd. ("Huadian Property")	165,000	165,000	—	—	—	165,000
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	240,000	240,000	—	—	—	240,000
Huadian Coal Industry Group Company Limited ("Huadian Coal")	329,299	329,299	15,289	—	(8,650)	335,938

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

13 Long-term equity investments *(continued)*

(3) At 30 June 2007, the investment in principal associates of the Group and the Company are listed as follows: *(continued)*

The principal associate corporations of the Group and the Company *(continued)*

Associates	Initial investment cost *RMB'000* *(restated)* *(note)*	Opening balance *RMB'000* *(restated)*	Adjustments under equity method: Gain/(loss) in investment *RMB'000*	Adjustments under equity method: Transfer of capital reserve *RMB'000*	Cash dividends received *RMB'000*	Closing balance *RMB'000*
Zoucheng Lunan Electric Power Technology Development Company Limited ("Zoucheng Lunan")	2,303	2,303	(167)	—	—	2,136
China Huadian Finance Corporation Limited ("China Huadian Finance")	147,360	147,360	34,305	—	—	181,665
Total of the Company	1,445,541	1,445,541	40,621	(740)	(17,817)	1,467,605
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	40,500	40,500	—	—	—	40,500
Total of the Group	1,486,041	1,486,041	40,621	(740)	(17,817)	1,508,105

Note: *The initial investment cost of associates of the Group and the Company is recognised based on the carrying value of long-term equity investment according to the requirements of ASBE No. 38 - First-time adoption of Accounting Standards for Business Enterprises.*

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

13 Long-term equity investments *(continued)*

(3) At 30 June 2007, the investment in principal associates of the Group and the Company are listed as follows: *(continued)*

The principal associate corporations of the Group and the Company *(continued)*

Name of investee enterprise	Place of registration	Principal operation	Registered capital *RMB'000*	Percentage of equity interest held by the Group and the Company	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets *RMB'000*	Closing balance of total liabilities *RMB'000*	Total revenue *RMB'000*	Net profit/ (loss) during the period *RMB'000*
The Company and the Group									
Ningxia Power Company	Yinchuan, the PRC	Generation and sale of electricity, and investment holding	900,000	31.11%	31.11%	7,878,708	6,901,852	1,101,240	8,423
Chizhou Company	Chizhou, the PRC	Generation and sale of electricity	640,000	40%	40%	2,456,216	1,864,372	392,104	(28,563)
Huadian Property	Beijing, the PRC	Property development	350,000	30%	30%	1,943,963	1,393,963	—	—

13 Long-term equity investments *(continued)*

(3) At 30 June 2007, the investment in principal associates of the Group and the Company are listed as follows: *(continued)*

The principal associate corporations of the Group and the Company *(continued)*

Name of investee enterprise	Place of registration	Principal operation	Registered capital *RMB'000*	Percentage of equity interest held by the Group and the Company	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets *RMB'000*	Closing balance of total liabilities *RMB'000*	Total revenue *RMB'000*	Net profit/ (loss) during the period *RMB'000*
The Company and the Group *(continued)*									
Luzhou Company	Luzhou, the PRC	Generation and sale of electricity (under construction)	600,000	40%	40%	3,553,390	2,953,390	—	—
Huadian Coal	Beijing, the PRC	Provision of coal procurement service	1,560,000	20.19%	20.19%	2,746,831	1,028,387	1,021,701	75,728
Zoucheng Lunan	Zoucheng, the PRC	Provision of technical service for electricity and other services	4,333	40%	40%	11,806	6,465	22,193	(416)

13 Long-term equity investments *(continued)*

(3) At 30 June 2007, the investment in principal associates of the Group and the Company are listed as follows: *(continued)*

The principal associate corporations of the Group and the Company *(continued)*

Name of investee enterprise	Place of registration	Principal operation	Registered capital *RMB'000*	Percentage of equity interest held by the Group and the Company	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets *RMB'000*	Closing balance of total liabilities *RMB'000*	Total revenue *RMB'000*	Net profit/ (loss) during the period *RMB'000*
The Company and the Group *(continued)*									
China Huadian Finance	Beijing, the PRC	Provision of corporate financial service to its group companies	800,000	15%	15%	6,827,991	5,629,098	365,138	228,697
The Group									
Longtan Coal Company	Guangan, the PRC	Development of coal mines and sale of coal	90,000	36%	45%	340,395	250,131	—	—

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

13 Long-term equity investments *(continued)*

(4) At 30 June 2007, the investment in principal other equity investments of the Group and the Company are listed as follows:

Name of investee enterprise	Initial investment cost *RMB'000*	Opening balance *RMB'000*	Addition in investment *RMB'000*	Closing balance *RMB'000*
Shandong Luneng Heze Coal Power Development Company Limited	91,339	91,339	—	91,339
Shanxi Jinzhongnan Railway Coal Distribution Company Limited	39,200	39,200	—	39,200
CHD Power Plant Operation Co., Ltd.	5,000	—	—	5,000
Total of the Company	135,539	130,539	5,000	135,539
Others	5,000	5,000	—	5,000
Total of the Group	140,539	135,539	5,000	140,539

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

14 Fixed assets

	The Group			
	Plant and buildings *RMB'000*	Generators and related machinery and equipment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
Opening balance for the period *(restated)*	12,146,762	36,602,634	905,463	49,654,859
Additions for the period	—	7,572	22,185	29,757
Transfer from construction in progress *(note 15)*	1,735,935	5,325,167	34,647	7,095,749
Disposals for the period	—	(466)	(2,992)	(3,458)
Closing balance for the period	13,882,697	41,934,907	959,303	56,776,907
Accumulated depreciation:				
Opening balance for the period *(restated)*	3,110,443	10,798,594	480,878	14,389,915
Charge for the period	238,567	958,721	36,980	1,234,268
Written back on disposal	—	(466)	(2,474)	(2,940)
Closing balance for the period	3,349,010	11,756,849	515,384	15,621,243
Net book value:				
Closing balance for the period	10,533,687	30,178,058	443,919	41,155,664
Opening balance for the period *(restated)*	9,036,319	25,804,040	424,585	35,264,944

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

14 Fixed assets *(Continued)*

	The Company			
	Plant and buildings *RMB'000*	Generators and related machinery and equipment *RMB'000*	Others *RMB'000*	Total *RMB'000*
Cost:				
Opening balance for the period *(restated)*	5,977,240	17,122,230	513,224	23,612,694
Additions for the period	—	461	8,533	8,994
Transfer from construction in progress *(note 15)*	36,909	179,696	5,016	221,621
Disposals for the period	—	—	(422)	(422)
Closing balance for the period	6,014,149	17,302,387	526,351	23,842,887
Accumulated depreciation:				
Opening balance for the period *(restated)*	1,771,386	6,806,145	257,394	8,834,925
Charge for the period	119,475	475,007	17,462	611,944
Written back on disposal	—	—	(153)	(153)
Closing balance for the period	1,890,861	7,281,152	274,703	9,446,716
Net book value:				
Closing balance for the period	4,123,288	10,021,235	251,648	14,396,171
Opening balance for the period *(restated)*	4,205,854	10,316,085	255,830	14,777,769

At 30 June 2007, the Group have no temporarily idle fixed assets.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

15 Construction materials and construction in progress

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

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

Project	Budgeted amount *RMB'000*	Opening balance *RMB'000* *(restated)*	Additions for the period *RMB'000*	Transfer to fixed assets *RMB'000*	Transfer to subsidiaries *RMB'000*	Closing balance *RMB'000*	Proportion to budget	Source of funds
The Company								
Zouxian Power Plant Phase IV generating units	7,264,140	977,197	1,696,798	–	–	2,673,995	95.0%	Self-financing and bank loans
Ningdong Wind Power Phase I	409,970	1,058	273	–	(1,331)	–		Self-financing and bank loans
Construction materials		812,632	(714,213)	–	–	98,419		Self-financing and bank loans
Desulphurisation, technical improvement projects and others		457,877	221,609	(221,621)	–	457,865		Self-financing and bank loans
Total for the Company		2,248,764	1,204,467	(221,621)	(1,331)	3,230,279		
Subsidiaries								
Guangan Company Phase III generating units	3,979,150	188,416	875,031	–	–	1,063,447	86.6%	Self-financing and bank loans
Weifang Company Phase II generating units	4,506,160	642,850	1,051,371	(1,694,221)	–	–	90.6%	Self-financing and bank loans
Ningwu Company generating units	4,592,110	1,239,013	1,624,294	(2,526,322)	–	336,985	62.4%	Self-financing and bank loans
Xinxiang Company Baoshan Power Plant generating units	4,788,980	919,178	2,225,788	(2,564,031)	–	580,935	65.7%	Self-financing and bank loans
Suzhou Company generating units	4,274,510	1,096,142	892,810	–	–	1,988,952	46.5%	Self-financing and bank loans

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

15 Construction materials and construction in progress *(Continued)*

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

Project	Budgeted amount *RMB'000*	Opening balance *RMB'000* *(restated)*	Additions for the period *RMB'000*	Transfer to fixed assets *RMB'000*	Transfer to subsidiaries *RMB'000*	Closing balance *RMB'000*	Proportion to budget	Source of funds
Subsidiaries *(continued)*								
Suzhou Biomass Energy Power Company straw-fixed thermal power plant project	275,660	1,497	1,550	–	–	3,047	1.1%	Self-financing and bank loans
Wuhu Company Phase I	4,999,800	318,556	493,003	–	–	811,559	16.2%	Self-financing and bank loans
Ningdong Company Phase I	409,970	–	5,862	–	1,331	7,193	1.8%	Self-financing and bank loans
Construction materials		4,901,679	(1,604,213)	–	–	3,297,466		Self-financing and bank loans
Desulphurisation, technical improvement projects and others		702,106	326,644	(89,554)	–	939,196		Self-financing and bank loans
Total for subsidiaries		10,009,437	5,892,140	(6,874,128)	1,331	9,028,780		
Total for the Group		12,258,201	7,096,607	(7,095,749) *(Note 14)*	–	12,259,059		

The borrowing costs for the period of RMB368,739,000 (2006 (restated): RMB325,653,000) was capitalised as part of the closing balance of construction in progress. The average interest capitalisation rate for the period was 5.62% (2006 (restated): 5.45%).

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

16 Intangible assets

	The Group *RMB'000*	The Company *RMB'000*
Cost:		
Opening balance *(restated)*	770,392	247,550
Additions for the period	533	426
Closing balance	770,925	247,976
Accumulated depreciation:		
Opening balance *(restated)*	74,688	50,736
Charge for the period	12,662	5,966
Closing balance	87,350	56,702
Net book value:		
Closing balance	683,575	191,274
Opening balance *(restated)*	695,704	196,814

Intangible assets mainly represent land use rights. All land use rights are mainly obtained through acquisition, except for those in Weifang Company, Qingdao Company, Lingwu Company and Guangan Company, which are granted by the state.

At 30 June 2007, the remaining amortisation period of land use rights are ranging from 5 to 65 years.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

17 Goodwill

	The Group *RMB'000*	The Company *RMB'000*
Opening and closing balance	274,209	7,019

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

18 Deferred tax assets and liabilities

	The Group				The Company			
	30 June 2007		31 December 2006		30 June 2007		31 December 2006	
	Deductible temporary difference *RMB'000*	Deferred tax assets *RMB'000*	Deductible temporary difference *RMB'000*	Deferred tax assets *RMB'000*	Deductible temporary difference *RMB'000*	Deferred tax assets *RMB'000*	Deductible temporary difference *RMB'000*	Deferred tax assets *RMB'000*
Deferred tax assets								
Provision for stock and trade receivables	95,729	22,290	95,729	28,608	61,489	15,372	61,489	20,291
Amortisation of preliminary expenses	65,894	17,213	73,906	24,389	9,533	2,511	11,586	3,824
Accrued expenses	135,495	39,171	238,662	78,016	76,170	20,336	176,170	58,137
Loss before tax	50,435	13,013	—	—	—	—	—	—
Other	2,262	549	166	53	37	12	73	22
Total	349,815	92,236	408,463	131,066	147,229	38,231	249,318	82,274

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

18 Deferred tax assets and liabilities *(Continued)*

	The Group				The Company			
	30 June 2007		31 December 2006		30 June 2007		31 December 2006	
	Taxable temporary difference	**Deferred tax liabilities**	Taxable temporary difference	Deferred tax liabilities	**Taxable temporary difference**	**Deferred tax liabilities**	Taxable temporary difference	Deferred tax liabilities
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*
Deferred tax liabilities								
Depreciation of fixed assets	**(1,751,356)**	**(437,839)**	(1,488,283)	(491,128)	**–**	**–**	–	–
Capitalised interests	**(107,888)**	**(26,313)**	(110,557)	(28,302)	**–**	**–**	–	–
Total	**(1,859,244)**	**(464,152)**	(1,598,840)	(519,430)	**–**	**–**	–	–

19 Investment deposit

The investment deposit represents investment deposit paid to China Huadian for a consideration of acquisition of its 95% equity interests in Wuhu Company by the Company. The Company completed such transaction in January 2007. China Huadian holds more than 5% voting right of the Company.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

20 Impairment of assets

Impairment of assets of the Group and the Company as at 30 June 2007 is summarised as follow:

Items	Note	Opening and closing balance of the Group *RMB'000*	Opening and closing balance of the Company *RMB'000*
Bad debt provision			
— Trade receivables	9	18,677	—
— Other receivables	11	5,127	3,282
Provision for diminution in value of inventories	12	72,282	58,202
Total		96,086	61,484

21 Short-term loans

	The Group		The Company	
	30 June 2007 ***RMB'000***	31 December 2006 *RMB'000*	**30 June 2007** ***RMB'000***	31 December 2006 *RMB'000*
Unsecured loans	**8,207,314**	10,089,902	**1,937,314**	4,486,902
Pledged loans	**—**	—	**—**	—
Secured loans	**—**	—	**—**	—
Guaranteed loans	**—**	30,000	**—**	—
Total	**8,207,314**	10,119,902	**1,937,314**	4,486,902

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

21 Short-term loans *(Continued)*

	The Group					
	30 June 2007			31 December 2006		
	Interest rate	**Original currency** *RMB'000*	**Renminbi/ Renminbi equivalent** *RMB'000*	Interest rate	Original currency *RMB'000*	Renminbi/ Renminbi equivalent *RMB'000* *(restated)*
Short-term bank loans						
— Renminbi	**5.02% - 5.91%**		**6,160,247**	4.86% - 6.12%		8,760,250
— US dollars	**6.14% - 6.46%**	**65,139**	**496,067**	5.60% - 6.46%	65,139	508,652
Short-term Renminbi other loans *(note)*	**5.27% - 5.91%**		**1,500,000**	5.00% - 5.58%		800,000
Short-term Renminbi shareholders loans	**5.27%**		**51,000**	5.27%		51,000
			8,207,314			10,119,902

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

21 Short-term loans *(Continued)*

	The Company					
	30 June 2007			31 December 2006		
	Interest rate	**Original currency** *RMB'000*	**Renminbi/ Renminbi equivalent** *RMB'000*	Interest rate	Original currency *RMB'000*	Renminbi/ Renminbi equivalent *RMB'000*
Short-term bank loans						
— Renminbi	**5.02% - 5.91%**		**991,247**	4.86% - 5.58%		3,928,250
— US dollars	**6.14% - 6.46%**	**65,139**	**496,067**	5.60% - 6.46%	65,139	508,652
Short-term Renminbi other loans *(note)*	**5.91%**		**450,000**	5.27%		50,000
			1,937,314			4,486,902

Note: *Short-term Renminbi other loans*

	The Group		*The Company*	
	30 June 2007 **RMB'000**	*31 December 2006* RMB'000 *(restated)*	***30 June 2007*** **RMB'000**	*31 December 2006* RMB'000
China Huadian Finance	***1,200,000***	*500,000*	***400,000***	—
Huadian Coal	***300,000***	*300,000*	**—**	—
Loans from subsidiaries	**—**	—	***50,000***	*50,000*
	1,500,000	*800,000*	***450,000***	*50,000*

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

21 Short-term loans *(Continued)*

The other loans borrowed from Huadian Finance, an associate of the Company, bear interest at rates quoted from the People's Bank of China for same periods less 10%.

The other loans borrowed from Huadian Coal, an associate of the Company, bear interest rates at 5.85%.

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

	30 June 2007	31 December 2006
US dollars	**7.6155**	7.8087

All the above short-term loans are unsecured, except for a short-term loan as at 31 December 2006 amounting to RMB30,000,000 which is guaranteed by Zibo Luneng Industrial Company Limited.

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

22 Bills payable

All bills payable of the Group and the Company are bank acceptance bills due within one year. There is no bills issued by shareholders who hold 5% or more voting right of the Company included in the balance.

23 Trade payables

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

24 Wages payable

	Opening balance *RMB'000*	Addition for the period *RMB'000*	Payment for the period *RMB'000*	Closing balance *RMB'000*
The Group				
Wages, bonuses, allowances and subsidies	241,360	304,411	(405,707)	140,064
Staff welfare	4,935	—	(4,935)	—
Social insurance expenses				
— Medical insurance	8,022	38,069	(32,507)	13,584
— Pension	3,353	87,553	(89,767)	1,139
— Additional pension	309	61,816	(61,319)	806
— Unemployment insurance	2,400	9,710	(8,860)	3,250
— Industrial injury insurance	304	2,241	(2,091)	454
— Maternity insurance	138	1,123	(1,053)	208
Housing fund	3,690	69,944	(71,739)	1,895
Labour union and staff education fund	12,362	15,218	(9,936)	17,644
Others	834	49,573	(50,371)	36
Total	277,707	639,658	(738,285)	179,080

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

24 Wages payable *(Continued)*

	Opening balance *RMB'000*	Addition for the period *RMB'000*	Payment for the period *RMB'000*	Closing balance *RMB'000*
The Company				
Wages, bonuses, allowances and subsidies	176,170	109,421	(206,612)	78,979
Staff welfare	1,886	—	(1,886)	—
Social insurance expenses				
— Medical insurance	5,757	19,066	(17,401)	7,422
— Pension	138	46,644	(46,983)	(201)
— Additional pension	32	33,137	(32,855)	314
— Unemployment insurance	1,585	5,831	(5,149)	2,267
— Industrial injury insurance	—	851	(847)	4
— Maternity insurance	—	301	(301)	—
Housing fund	215	38,728	(37,577)	1,366
Labour union and staff education fund	2,762	7,150	(5,914)	3,998
Others	110	23,100	(23,174)	36
Total	188,655	284,229	(378,699)	94,185

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

25 Other payables

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		*(restated)*
Amount due to China Huadian	**11,155**	10,415	**740**	—
Amounts due to other related parties	**14,051**	—	**212,127**	375,639
Amounts due to independent construction companies	**1,469,079**	851,564	**332,853**	114,397
Others	**619,182**	370,898	**364,186**	116,499
	2,113,467	1,232,877	**909,906**	606,535

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

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

26 Short-term debenture payables

	Opening balance *RMB'000*	Addition for the period *RMB'000*	Payment for the period *RMB'000*	Closing balance *RMB'000*
Short-term debenture of the Group and the Company	—	3,910,894	—	3,910,894

Details of short-term debenture payables are as follows:

	Period and interest rate	Date of issuance	Total face amount *RMB'000*	Discount *RMB'000*	Amortisation *RMB'000*	Closing balance *RMB'000*
The Group and the Company						
The first tranche of 2007 short-term debenture	From 9 May 2007 to 5 February 2008 effective annual interest rate of 3.74%	8 May 2007	4,000,000	(110,670)	21,564	3,910,894

On 8 May 2007, the Company issued 272-day short-term debentures with face value of RMB100, totalling RMB4 billion, at discount. The coupon rate is 3.38% per annum and repayable on the maturity date.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

27 Long-term loans due within one year

	The Group				The Company			
	30 June 2007		31 December 2006		**30 June 2007**		31 December 2006	
	Original currency *RMB'000*	**Renminbi/ Renminbi equivalent** *RMB'000*	Original currency *RMB'000*	Renminbi/ Renminbi equivalent *RMB'000* *(restated)*	**Original currency** *RMB'000*	**Renminbi/ Renminbi equivalent** *RMB'000*	Original currency *RMB'000*	Renminbi/ Renminbi equivalent *RMB'000*
Bank loans due within one year								
— Renminbi		**709,137**		877,060		**—**		189,060
— US dollars	**500**	**3,808**	100,400	783,993		**—**	100,000	780,870
State loans due within one year								
— US dollars	**1,331**	**10,134**	1,281	10,005	**1,331**	**10,134**	1,281	10,005
Other loans due within one year								
— Renminbi		**280,845**		680,000		**198,037**		500,000
— US dollars	**2,037**	**17,573**	2,307	18,020		**—**	—	—
		1,021,497		2,369,078		**208,171**		1,479,935
		(note 28(2))		*(note 28(2))*		*(note 28(2))*		*(note 28(2))*

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

	30 June 2007	31 December 2006
US dollars	**7.6155**	7.8087

Please refer to note 28 for details of loans.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

28 Long-term loans

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

	The Group		The Company	
	30 June 2007 **RMB'000**	31 December 2006 RMB'000 (restated)	**30 June 2007** **RMB'000**	31 December 2006 RMB'000
Bank loans				
— Between one and two years	**2,807,541**	1,752,420	**1,206,989**	884,880
— Between two and five years	**6,959,580**	6,996,909	**1,053,600**	1,452,000
— Over five years	**9,361,754**	8,171,118	**500,000**	440,000
	19,128,875	16,920,447	**2,760,589**	2,776,880
Shareholder loans				
— Between two and five years	**585,000**	585,000	**585,000**	585,000
— Over five years	**650,000**	650,000	**—**	—
	1,235,000	1,235,000	**585,000**	585,000
State loans				
— Between one and two years	**10,933**	10,792	**10,933**	10,792
— Between two and five years	**41,649**	41,155	**40,285**	39,791
— Over five years	**15,300**	22,477	**9,164**	16,341
	67,882	74,424	**60,382**	66,924
Other loans				
— Between one and two years	**55,611**	252,221	**—**	198,037
— Between two and five years	**382,399**	536,477	**100,000**	100,000
— Over five years	**105,895**	77,357	**—**	—
	543,905	866,055	**100,000**	298,037
	20,975,662	19,095,926	**3,505,971**	3,726,841

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

28 Long-term loans *(Continued)*

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

The Group

	Interest rates and periods	30 June 2007 Original currency *RMB'000*	30 June 2007 Renminbi/ Renminbi equivalent *RMB'000*	31 December 2006 Original currency *RMB'000*	31 December 2006 Renminbi/ Renminbi equivalent *RMB'000* *(restated)*
Long-term bank loans					
— Renminbi loans	Interest rates mainly ranging from 3.60% to 6.48% per annum as at 30 June 2007 (2006: 3.60% to 6.39%), with maturity up to 2025		**18,914,095**		17,628,680
— US dollars loans	Interest rates mainly ranging from 5.96% to 6.22% per annum as at 30 June 2007 (2006: 6.14% to 6.38%), with maturity up to 2017	**121,827**	**927,725**	122,020	952,820
			19,841,820		18,581,500
Shareholder loans *(note (i))*					
— Renminbi loans	Interest rates mainly ranging from 4.15% to 5.83% per annum as at 30 June 2007 (2006: 4.15% to 5.83%), with maturity up to 2021		**1,235,000**		1,235,000
State loans *(note (ii))*					
— Renminbi loans	Interest rates mainly at 2.55% per annum as at 30 June 2007 (2006: 2.55%), with maturity up to 2020		**18,700**		18,700
— US dollars loans	Interest rates mainly at 5.49% per annum as at 30 June 2007 (2006: 5.51%), with maturity up to 2012	**7,789**	**59,316**	8,417	65,729
			78,016		84,429

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

28 Long-term loans *(Continued)*

(2) Details of long-term loans are as follows: *(Continued)*

The Group *(Continued)*

	Interest rates and periods	30 June 2007 Original currency *RMB'000*	30 June 2007 Renminbi/ Renminbi equivalent *RMB'000*	31 December 2006 Original currency *RMB'000*	31 December 2006 Renminbi/ Renminbi equivalent *RMB'000* *(restated)*
Other loans *(note (iii))*					
— Renminbi loans	Interest rates mainly ranging from 5.67% to 6.48% per annum as at 30 June 2007 (2006: 5.18% to 6.16%), with maturity up to 2021		**789,593**		1,500,998
— US dollars loans	Interest rates mainly at 7.55% per annum as at 30 June 2007 (2006: 7.02%), with maturity up to 2010	**6,924**	**52,730**	8,078	63,077
			842,323		1,564,075
			21,997,159		21,465,004
Less: Long-term loans due within one year *(note 27)*			**(1,021,497)**		(2,369,078)
			20,975,662		19,095,926

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

28 Long-term loans *(Continued)*

(2) Details of long-term loans are as follows: *(Continued)*

The Company

	Interest rates and periods	30 June 2007 Original currency *RMB'000*	30 June 2007 Renminbi/ Renminbi equivalent *RMB'000*	31 December 2006 Original currency *RMB'000*	31 December 2006 Renminbi/ Renminbi equivalent *RMB'000*
Long-term bank loans					
— Renminbi loans	Interest rates mainly ranging from 5.18% to 6.16% per annum as at 30 June 2007 (2006: 5.18% to 6.16%), with maturity up to 2016		1,887,000		2,851,060
— US dollars loans	Interest rates mainly ranging from 5.96% to 6.22% per annum as at 30 June 2007 (2006: 6.18% to 6.38%), with maturity up to 2009	114,712	873,589	114,712	895,750
			2,760,589		3,746,810
Shareholder loans *(note (i))*					
— Renminbi loans	Interest rates mainly ranging from 5.27% to 5.83% per annum as at 30 June 2007 (2006: 5.27% to 5.83%), with maturity up to 2011		585,000		585,000

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

28 Long-term loans *(Continued)*

(2) Details of long-term loans are as follows: *(Continued)*

The Company *(Continued)*

	Interest rates and periods	30 June 2007 Original currency *RMB'000*	30 June 2007 Renminbi/ Renminbi equivalent *RMB'000*	31 December 2006 Original currency *RMB'000*	31 December 2006 Renminbi/ Renminbi equivalent *RMB'000*
State loans *(note (ii))*					
— Renminbi loans	Interest rates mainly at 2.55% per annum as at 30 June 2007 (2006: 2.55%), with maturity up to 2020		**11,200**		11,200
— US dollars loans	Interest rates mainly at 5.49% per annum as at 30 June 2007 (2006: 5.51%), with maturity up to 2012	**7,789**	**59,316**	8,417	65,729
			70,516		76,929
Other loans *(note (iii))*					
— Renminbi loans	Interest rates mainly ranging from 5.67% to 5.91% per annum as at 30 June 2007 (2006: 5.18% to 5.67%), with maturity up to 2009		**298,037**		798,037
			3,714,142		5,206,776
Less: Long-term loans due within one year *(note 27)*			**(208,171)**		(1,479,935)
			3,505,971		3,726,841

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

28 Long-term loans *(Continued)*

(2) Details of long-term loans are as follows: *(Continued)*

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

	30 June 2007	31 December 2006
US dollars	**7.6155**	7.8087

Note (i) Shareholder loans

Balance of shareholder loans is analysed as follows:

	The Group		*The Company*	
	30 June 2007 RMB'000	*31 December 2006 RMB'000 (restated)*	***30 June 2007 RMB'000***	*31 December 2006 RMB'000*
Shandong International Trust and Investment Company Limited ("SITIC")	***585,000***	*585,000*	***585,000***	*585,000*
China Huadian	***650,000***	*650,000*	**—**	—
	1,235,000	*1,235,000*	***585,000***	*585,000*

Shareholder loan borrowed from SITIC bear interest at rates quoted from the People's Bank of China for same periods less 10%.

Shareholder loans borrowed from China Huadian bear interest rates at 4.15% - 4.98% (2006 (restated): 4.15% - 4.98%).

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

28 Long-term loans *(Continued)*

(2) Details of long-term loans are as follows: *(Continued)*

Note (ii) State loans

The loans mainly represent a loan facility of US$310,000,000 granted by the International Bank for Reconstruction and Development (the "World Bank") to the PRC state government pursuant to a loan agreement entered into 1992, to finance the Zouxian Phase III project. According to the terms of the aforesaid loan agreement, the PRC state government on-lent the loan facility to the Shandong Provincial Government which in turn on-lent it to Shandong Electric Power (Group) Corporation ("SEPCO"). Pursuant to a notice from the Finance Office of Shandong Province dated 5 August 1997 and as formally agreed by the World Bank, part of the loan facility in the principal amount of US$278,250,000 was made available by the Shandong Provincial Government to the Company. The repayment of this loan is guaranteed by SEPCO.

In 2006, a loan of RMB11,200,000 was granted to the Group by the MOF as funding for certain environmental and comprehensive resources utilisation construction projects.

Note (iii) Other loans

Balance of other loans is analysed as follows:

	The Group		The Company	
	30 June 2007 RMB'000	31 December 2006 RMB'000 (restated)	**30 June 2007 RMB'000**	31 December 2006 RMB'000
Huadian Finance	**615,212**	1,175,037	**298,037**	798,037
Others	**227,111**	389,038	**—**	—
	842,323	1,564,075	**298,037**	798,037

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

28 Long-term loans *(Continued)*

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

	The Group		The Company	
	30 June 2007	31 December 2006	**30 June 2007**	31 December 2006
	RMB'000	*RMB'000* *(restated)*	***RMB'000***	*RMB'000*
Unsecured loans	**15,670,002**	16,939,765	**3,654,825**	5,141,047
Loans guaranteed by SEPCO	**59,317**	65,729	**59,317**	65,729
Loans guaranteed by China Huadian	**220,000**	220,000	**—**	—
Loans guaranteed by third parties	**767,840**	949,510	**—**	—
Secured loans	**5,280,000**	3,290,000	**—**	—
	21,997,159	21,465,004	**3,714,142**	5,206,776
Less: Long-term loans due within one year	**(1,021,497)**	(2,369,078)	**(208,171)**	(1,479,935)
	20,975,662	19,095,926	**3,505,971**	3,726,841

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

29 Share capital

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
(1) Share with selling restriction		
— A shares	**3,850,356**	3,894,121
(2) Share without selling restriction		
— A shares	**739,700**	695,935
— H shares	**1,431,028**	1,431,028
	6,021,084	6,021,084

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

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to further issue 765,000,000 RMB ordinary shares with par value of RMB1 each. As a result, the registered capital of the Company was increased to 6,021,084,200 shares. The RMB ordinary shares issued in 2005 included 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares were listed on the Shanghai Stock Exchange on 3 February 2005.

Since the implementation of the Share Reform on 1 August 2006, all domestic shares 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 have a period of restriction for disposal ranging from 1 to 3 years. In addition, the non-circulating shareholders of the Company have promised not to dispose of the shares acquired in the circulating A shares market totalling 43,764,920 shares within 6 months after the completion of the Share Reform. Details of the Share Reform are set out in note 1.

The paid up share capital included RMB3,825,056,200 paid up domestic shares capital which has been verified by Shandong Jining Public Accounting Firm on 18 June 1994 and capital verification report has been issued. The capital verification report was Kuai Shi (Zou) Yan Zi No. 102. The paid up H shares capital of RMB1,431,028,000 has been verified by KPMG Huazhen on 30 August 1999 and capital verification report has been issued. The report number of the capital verification report was KPMG-C-(1999) CV No. 0005. The paid up A shares capital of 569,000,000 and paid up domestic shares capital of RMB196,000,000 have been verified by KPMG Huazhen on 28 January 2005 and capital verification report has been issued. The report number of the capital verification report was KPMG-A-(2005) CR No. 0005.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

30 Capital reserve, statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve

(1) Capital reserve

The movement of capital reserve is as follows:

	The Group		
	Share premium *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2006	1,868,442	29,119	1,897,561
Adjustment of capital reserve of business combination involving entities under common control	9,500	—	9,500
At 1 January 2006 *(restated)*	1,877,942	29,119	1,907,061
Addition for the year	—	120,629	120,629
At 31 December 2006 and at 1 January 2007 *(restated)*	1,877,942	149,748	2,027,690
Addition for the period	—	15,640	15,640
Decrease for the period	—	(740)	(740)
Adjustment on capital reserve of business combination involving entities under common control	(25,410)	—	(25,410)
At 30 June 2007	1,852,532	164,648	2,017,180

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

30 Capital reserve, statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve *(Continued)*

(1) Capital reserve *(Continued)*

The movement of capital reserve is as follows: *(Continued)*

	The Company		
	Share premium *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
At 1 January 2006	1,868,442	29,119	1,897,561
Addition for the year	—	120,629	120,629
At 31 December 2006 and at 1 January 2007	1,868,442	149,748	2,018,190
Addition for the period	—	15,640	15,640
Decrease for the period	—	(740)	(740)
Adjustment on capital reserve of business combination involving entities under common control	(21,864)	—	(21,864)
At 30 June 2007	1,846,578	164,648	2,011,226

Share premium represents the net premium received from the issuance of H Shares in June 1999 and the issuance of RMB ordinary shares in January 2005. It also represents the difference between the consideration paid and the carrying value the acquired shareholders' equity at acquisition date for business combination involving entities under common control. Other capital reserves mainly represent the transfer of government grants from special payables after completion of the relevant projects.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

30 Capital reserve, statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve *(Continued)*

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

	The Group and the Company			
	Statutory surplus reserve *RMB'000*	Statutory public welfare fund *RMB'000*	Discretionary surplus reserve *RMB'000*	Total *RMB'000*
At 1 January 2006	962,219	379,434	68,089	1,409,742
Change in accounting policies	(3,698)	—	—	(3,698)
	958,521	379,434	68,089	1,406,444
Transfer to statutory surplus reserve	379,434	(379,434)	—	—
Profit appropriations	122,607	—	—	122,607
At 31 December 2006 and at 30 June 2007	1,460,562	—	68,089	1,528,651

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

30 Capital reserve, statutory surplus reserve, statutory public welfare fund and discretionary surplus reserve *(Continued)*

(3) Profit appropriations

(i) Appropriation is determined in accordance with the related rules and terms in the Company's articles of association.

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

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

(iii) According to the Notice of the Ministry of Finance on accounting issues relating to the implementation of the Company Law of the PRC (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.

(iv) For the six months ended 30 June 2007, the Company did not make appropriations to statutory surplus reserve or discretionary surplus reserve.

For details of distribution of dividend, please refer to note 31.

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

31 Dividends

(1) Dividends declared and recognised for the six months ended 30 June 2006 and 2007 are as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Final dividend of RMB0.062 per share for year 2006	**373,307**	—
Final dividend of RMB0.065 per share for year 2005	**—**	391,370
	373,307	391,370

(2) The Company did not recognise any dividends purposed for the six months ended 30 June 2006 and 2007.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

32 Turnover

Turnover mainly represents revenues from sale of electricity and heat, net of VAT, and is summarised as follows:

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		*(restated)*
Sales from principal activities				
—Revenue from sales of electricity heat	**8,356,965**	6,751,257	**3,929,589**	3,763,357
—Revenue from sales of heat	**181,736**	159,959	**2,559**	2,479
Sub-total	**8,538,701**	6,911,216	**3,932,148**	3,765,836
Other revenue	**36,431**	31,188	**560**	874
Total	**8,575,132**	6,942,404	**3,932,708**	3,766,710

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

32 Turnover *(Continued)*

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

	Six months ended 30 June			
	2007		2006	
	Sales	**Percentage over sales from principal activities**	Sales	Percentage over sales from principal activities
	RMB'000		*RMB'000 (restated)*	
The Group	**8,420,106**	**98.6%**	6,856,206	99.2%
The Company	**3,932,148**	**100%**	3,765,836	100%

33 Cost of sales

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000 (restated)*	***RMB'000***	*RMB'000 (restated)*
Cost of sales from principal activities				
— Cost of sale of electricity	**6,694,605**	5,283,092	**3,221,537**	2,950,875
— Cost of sale of heat	**221,860**	196,917	**2,314**	1,833
Sub-total	**6,916,465**	5,480,009	**3,223,851**	2,952,708
Cost of sales of other operating activities	**25,428**	18,660	**632**	809
Total	**6,941,893**	5,498,669	**3,224,484**	2,953,517

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

34 Sales taxes and surcharges

		The Group		The Company	
		Six months ended 30 June		Six months ended 30 June	
	Basis	**2007** **RMB'000**	2006 RMB'000 (restated)	**2007** **RMB'000**	2006 RMB'000 (restated)
City maintenance and construction tax	1 - 7% on VAT payable	**58,470**	55,983	**27,840**	34,181
Education surcharge	3 - 4% on VAT payable	**34,022**	32,740	**15,910**	19,532
		92,492	88,723	**43,750**	53,713

35 Financial expenses

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2007 **RMB'000**	2006 RMB'000 (restated)	**2007** **RMB'000**	2006 RMB'000 (restated)
Interest incurred	**962,452**	590,809	**271,398**	191,016
Less: Interest capitalised	**(368,739)**	(325,653)	**(60,995)**	(75,848)
Net interest expenses	**593,713**	265,156	**210,403**	115,168
Interest income on deposits	**(3,799)**	(4,371)	**(1,715)**	(1,825)
Net exchange gain	**(37,171)**	(14,481)	**(34,445)**	(13,362)
Net loss/(gain) on derivative financial instruments	**8,736**	(18,654)	**8,736**	(18,654)
Total	**561,479**	227,650	**182,979**	81,327

Interest expenses are capitalised in construction in progress at an average annual rate of 5.62% (2006 (restated): 5.45%).

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

36 Investment income

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		*(restated)*
Long-term equity investment income				
— Accounted for under the cost method	**—**	3,140	**—**	3,140
— Accounted for under the equity method	**66,292**	18,990	**66,292**	184,158
Amortisation of equity investment difference	**—**	(147)	**—**	(6,396)
Gain on disposal of investment	**—**	16,156	**—**	16,156
Total	**66,292**	38,139	**66,292**	197,058

There was no material restriction on the Group and the Company to receive the remittance of investment income.

37 Income tax

(1) Income tax in the income statement represents:

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		*(restated)*
Charge for PRC enterprise income tax for the period	**92,540**	224,911	**37,742**	179,768
Deferred taxation	**(16,448)**	62,264	**44,043**	356
	76,092	287,175	**81,785**	180,124

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

37 Income tax *(Continued)*

(2) The relationship between income tax and accounting profits of the Group and the Company is as follows:

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit before taxation	**769,983**	907,836	**394,330**	723,055
Expected income tax expense at a tax rate of 33%	**254,094**	299,586	**130,129**	238,608
Change in tax rate	**(125,721)**	—	**10,354**	—
Non-deductible expenses	**—**	2,112	**—**	2,112
Non-taxable income	**(24,723)**	(7,713)	**(23,331)**	(62,073)
Differential tax rate on subsidiary's income	**3,980**	(8,352)	**—**	—
Tax credit *(note (i))*	**(35,367)**	—	**(35,367)**	—
Under-provision in respect of previous year	**3,829**	1,542	**—**	1,477
	76,092	287,175	**81,785**	180,124

Note :

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

38 Note to the cash flow statement

Reconciliation of net profit to cash flows from operating activities:

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net profit attributable to equity shareholders of the Company	**546,408**	541,733	**312,545**	542,931
Add: Depreciation of fixed assets	**1,221,845**	848,033	**599,524**	483,933
Amortisation of intangible assets	**9,737**	8,290	**4,736**	4,751
Financial expenses	**561,479**	227,650	**182,978**	81,327
Investment income	**(66,292)**	(38,285)	**(66,292)**	(197,058)
Decrease in deferred tax assets	**38,830**	13,332	**44,043**	356
(Decrease)/increase in deferred tax liabilities	**(55,278)**	54,417	**—**	—
(Increase)/decrease in inventories	**(2,956)**	115,592	**13,638**	114,479
(Increase)/decrease in operating receivables	**(27,968)**	(274,459)	**215,697**	(299,851)
Increase/(decrease) in operating payables	**739,606**	597,362	**(329,705)**	518,187
Minority interests	**147,483**	78,928	**—**	—
Net cash flow from operating activities	**3,112,894**	2,172,593	**977,164**	1,249,055

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

39 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.

(1) Interest rate risks

The interest rates and terms of repayment of the outstanding loans of the Group and the Company are disclosed in note 28.

(2) 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 Corporation and Electric Power of Henan, 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:

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Sale of electricity to:		
— SEPCO	**7,322,463**	5,928,504
— Sichuan Electric Power Corporation	**960,813**	822,753
— Ningxia Electric Power Corporation	**49,941**	—
— Electric Power of Henan	**23,748**	—

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

39 Financial instruments *(Continued)*

(2) Credit risks *(Continued)*

	30 June 2007 ***RMB'000***	31 December 2006 *RMB'000*
Receivables from sale of electricity:		
— SEPCO	**964,696**	1,166,477
— Sichuan Electric Power Corporation	**203,289**	341,503
— Ningxia Electric Power Corporation	**76,413**	—
— Electric Power of Henan	**108,432**	—

The maximum exposure to credit 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.

(3) 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. As these forward contracts are not designated as hedges for accounting purposes, changes in the fair value of these forward contracts are recognised in profit or loss (see note 35). The net fair value of these forward contracts at 30 June 2007 was RMB(4,759,000) (31 December 2006: RMB3,354,000).

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

39 Financial instruments *(Continued)*

(4) 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.

(5) Fair value

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 value 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.

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

40 Commitments

(1) Capital commitments

The capital commitments of the Group and the Company are as follows:

	The Group		The Company	
	30 June 2007 ***RMB'000***	31 December 2006 *RMB'000* *(restated)*	**30 June 2007** ***RMB'000***	31 December 2006 *RMB'000*
Contracted for	**8,185,255**	11,853,732	**2,844,290**	4,301,709
Authorised but not contracted for	**6,830,549**	8,577,015	**382,297**	733,675
	15,015,804	20,430,747	**3,226,587**	5,035,384

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

At 30 June 2007, the Group did not have any proportionate share of the jointly controlled entity's capital expenditure commitments (31 December 2006: RMBNil).

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

40 Commitments *(Continued)*

(2) Operating lease commitments

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

	30 June 2007 *RMB'000*	31 December 2006 *RMB'000*
Within one year	**31,339**	31,674
Over one year and within two years	**30,178**	30,178
Over two years and within three years	**30,178**	30,178
Over three years	**518,056**	533,145
	609,751	625,175

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

41 Related parties and material related party transactions

(1) Parent company of the Company

Company name	Place of registration	Principal operation	Registered capital *RMB'000*	Equity interest to the Company	Voting right to the Company
China Huadian	Beijing, the PRC	Development, construction and operation management of electricity related business, organisation of production and sale of electricity and heat	12,000,000	49.18%	49.18%

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

41 Related parties and material related party transactions *(Continued)*

(2) Transactions between the Group and the Company

Please refer to note 6 for the information about subsidiaries of the Company.

Material transactions and balances between the Company and its subsidiaries are as follows:

	Note	**30 June 2007** ***RMB'000***	31 December 2006 *RMB'000*
Settlement of coal costs	(a)		
— Other receivables		**83,835**	277,048
— Other payables		**181,594**	286,813
Purchase of materials	(b)		
— Other receivables		**5,000**	—
— Trade payables		**31,849**	9,223
— Bank acceptance bills payable		**10,000**	—
— Other payables		**23,899**	89,026
Short-term loans	(c)	**50,000**	50,000

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

41 Related parties and material related party transactions *(Continued)*

(2) Transactions between the Group and the Company *(Continued)*

(a) During the six months ended 30 June 2007 and 30 June 2006, the Company settled coal costs on behalf of its subsidiaries.

(b) During the six months ended 30 June 2007, the Company purchased materials, components, spare parts and construction materials from a subsidiary totalling RMB179,705,000 (six months ended 30 June 2006: RMB107,764,000).

(c) As at 31 December 2006 and 30 June 2007, the Company had a short-term loan payable to a subsidiary amounting to RMB50,000,000. The loan was disclosed in note 21.

The above transactions and balances between the Company and its subsidiaries were fully eliminated in the consolidated financial statements of the Company and its subsidiaries.

(3) Transactions between the Group and key management personnel

	The Group		**The Company**	
	Six months ended 30 June		**Six months ended 30 June**	
	2007 ***RMB'000***	2006 *RMB'000*	**2007** ***RMB'000***	2006 *RMB'000*
Remuneration for key management personnel	**1,895**	1,475	**1,895**	1,475

The above material transactions with key management personnel were conducted in ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

41 Related parties and material related party transactions *(Continued)*

(4) Transactions between the Group and other related parties

(a) Related parties that do not control/are not controlled by the Group but had related party transactions were:

Company name	Relationship with the Company
SITIC	holding 14.11% shareholding of the Company
China Huadian Engineering (Group) Corporation	Controlled by China Huadian
Huadian Finance	Associate
Huadian Coal	Associate

Please refer to note 13 for information related to jointly controlled entity and associates of the Group.

(b) Transaction amounts with parties other than key management personnel are set out as follows:

		Six months ended 30 June	
	Note	**2007** ***RMB'000***	2006 *RMB'000*
Construction costs	(i)	**82,979**	45,111
Interest expenses	(ii)	**85,146**	68,187
Loans borrowed from related parties	(ii)	**1,675,175**	630,700
Loans repaid to related parties	(ii)	**1,500,000**	375,000
Service contracts	(iii)	**15,230**	—

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

41 Related parties and material related party transactions *(Continued)*

(4) Transactions between the Group and other related parties *(Continued)*

(b) Transaction amounts with parties other than key management personnel are set out as follows: *(Continued)*

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

(ii) Loans borrowed from SITIC, China Huadian, China Huadian Finance and Huadian Coal are set out in notes 21 and 28.

(iii) Service fees represented amount paid to Huadian Coal for provision of management and co-ordination services in relation to coal procurement in the PRC.

(c) In April 2006, the Company contributed RMB315,000,000 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 about 20.19% equity interest in Huadian Coal.

(d) Apart from the amount due to related parties mentioned in notes 21 and 28 and other receivables/payables from/to related parties mentioned in notes 11 and 25, the Group did not have any other receivables/payables from/to related parties at 31 December 2006 and 30 June 2007.

(e) At 30 June 2007, Guangan Company provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB104,150,000 (31 December 2006: RMB73,400,000).

(f) In December 2006, the Company contributed RMB147,360,000 to China Huadian Finance, a subsidiary of China Huadian, to participate in the capital enlargement of China Huadian Finance. After the completion of the capital enlargement of Chain Huadian Finance, the Company owns 15% equity interests in China Huadian Finance.

All of the above related party transactions were conducted in the ordinary course of business terms.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

42 Contingent liabilities

Apart from those disclosed in note 41(4)(e), at 30 June 2007, the Group has no major contingent liabilities.

43 Extraordinary gain and loss

According to requirements of "Questions and answers on the preparation of information disclosures of companies issuing public shares No. 1 - extraordinary gain and loss" (2007 revised), extraordinary gain and loss of the Group and the Company are set out below:

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2007	2006	**2007**	2006
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(restated)		
Extraordinary gain and loss for the period				
Non-operating income	**1,494**	2,899	**277**	5
Non-operating expenses	**(924)**	(807)	**(380)**	(287)
Net loss of acquiree before business combination due to business combination involving entities under common control	**—**	(1,882)	**—**	—
Net (loss)/gain on derivative financial instruments	**(8,736)**	18,654	**(8,736)**	18,654
	(8,166)	18,864	**(8,839)**	18,372
Less: Tax effect of the above items	**2,701**	(6,227)	**2,917**	(6,063)
Total	**(5,465)**	12,637	**(5,922)**	12,309

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

44 Earnings per share and return on net assets

According to requirements of "Regulation on the preparation of information disclosures of companies issuing public shares No. 9 - return on net assets and earnings per share" (2007 revised), earnings per share and return on net assets are set out below:

Profit during the period	Return on net assets Diluted	Return on net assets Weighted average	Earnings per share Basic earnings per share *RMB*	Earnings per share Diluted earnings per share *RMB*
Net profit attributable to ordinary shareholders of the Company	4.01%	4.01%	0.091	0.091
Net profit less extraordinary gain and loss attributable to ordinary shareholders of the Company	4.05%	4.05%	0.092	0.092

45 Post balance sheet event

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

46 Segment reporting

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

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

47 Reconciliation of the Group's financial statements prepared under different accounting standards

(1) Effects of major differences between the ASBE (2006) and IFRS on net profit are analysed as follows:

		Six months ended 30 June	
	Note	**2007** **RMB'000**	2006 *RMB'000*
Amount under ASBE (2006)		**693,891**	620,661
Adjustments:			
Net fair value adjustment	(a)	**(62,178)**	(40,435)
Adjustment of goodwill/ consolidation difference	(b)	**—**	6,719
Government grants	(c)	**5,303**	600
Business combination involving entities under common control	(d)	**—**	1,261
Other adjustments	(e)	**(740)**	—
Taxation impact of the adjustments		**74,074**	12,749
Total		**16,459**	(19,106)
Amount under IFRS		**710,350**	601,555

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

47 Reconciliation of the Group's financial statements prepared under different accounting standards *(Continued)*

(2) Effects of major differences between ASBE (2006) and IFRS on shareholders' equity are analysed as follows:

	Note	**30 June 2007** *RMB'000*	31 December 2006 *RMB'000*
Amount under ASBE (2006)		**15,904,385**	15,551,543
Adjustments:			
Net fair value adjustment	(a)	**969,514**	1,001,008
Adjustment on goodwill/consolidation difference	(b)	**(229,778)**	(229,778)
Government grants	(c)	**(189,275)**	(178,940)
Business combination involving entities under common control	(d)	**—**	(3,735)
Other adjustments	(e)	**(6,504)**	(6,504)
Taxation impact of the adjustments		**(219,290)**	(285,691)
Total		**324,667**	296,360
Amount under IFRS		**16,229,052**	15,847,903

KPMG is the outland organisation reviewing the financial statements prepared under IFRS.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

47 Reconciliation of the Group's financial statements prepared under different accounting standards *(Continued)*

Notes:

(a) *According to the accounting policies adopted in the Group's financial statements prepared under IFRS, assets and liabilities acquired by the Group during business combination, irrespective of whether such business combination is under common control or not, are measured at the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. In preparing the consolidated financial statements, the respective financial statements of subsidiaries are adjusted based on the fair value of individual identifiable assets and liabilities at the date of acquisition.*

Prior to 31 December 2006, according to the PRC Accounting Standards and Regulations (abbreviated as "old PRC GAAP" below), assets and liabilities acquired by the Group under business combination, irrespective of whether such business combination is under common control or not, was measured at the carrying value of assets and liabilities of the acquiree at the date of acquisition. Consolidated financial statements were prepared based on the respective financial statements of the Company and subsidiaries.

According to the requirement of "ASBE 38 - First-time adoption of ASBE", the Group is not required to adjust the aforesaid stipulation in respect of business combination under the old PRC GAAP retrospectively. As a result, differences between business combination as stipulated in the old PRC GAAP and IFRS remains after the adoption of ASBE (2006).

Since 1 January 2007, in accordance with ASBE (2006), assets and liabilities acquired by the Group under business combination are measured at their carrying value at the date of combination if they are under common control. Consolidated financial statements are prepared based on the financial statements of the Company and subsidiaries. There is a difference for business combination under common control under ASBE (2006) and IFRS.

Net fair value adjustments of the Group mainly represent the difference between the fair value and the carrying value of fixed assets at the date of consolidation (or date of acquisition) and the subsequent depreciation adjustment of the difference between the fair value and carrying value of fixed assets of such subsidiaries acquired during business combination under common control before the adoption of ASBE (2006).

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

47 Reconciliation of the Group's financial statements prepared under different accounting standards *(Continued)*

Notes: (Continued)

(b) According to IFRS, goodwill of the Group represents the excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquired. Sine 2005, goodwill is not amortised and is tested for impairment annually.

As mentioned in note (a), according to old PRC GAAP, goodwill or consolidation difference of the Group, irrespective of whether such business combination is under common control or not, is the excess of purchase consideration paid by the Company over its share of net assets of the acquiree. Goodwill or consolidation is amortised over a certain period.

In accordance with the requirement of "ASBE 38 - First-time adoption of ASBE", for business combination occurred before 31 December 2006, the Group has to adjust the following items retrospectively: wrote off the unamortised value of goodwill recognised for business combination under common control to retained profits; recognised the unamortised value at the first adoption date of the existing goodwill recognised for business combination not under common control as its deemed cost, and it is not amortised. As a result, after the adoption of ASBE (2006), difference in goodwill arising before the 31 December 2006 and the goodwill recognised under IFRS remains in existence.

Since 1 January 2007, according to ASBE (2006), the addition to goodwill of the Group only represents the excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquiree for business combination not under common control. As mentioned in note (a), no goodwill should exist for business combination under common control, and it is different from the accounting policies adopted in the Group's financial statements prepared under IFRS.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

47 Reconciliation of the Group's financial statements prepared under different accounting standards *(Continued)*

Notes: (Continued)

(c) *According to IFRS, conditional government grants should be first recorded in long-term liabilities and amortised to profit or loss using the straight line method over the useful lives of the relevant assets after fulfilling the requirements from the government in respect of the construction projects.*

According to old PRC GAAP, conditional government grants should be first recorded in long-term liabilities and transferred to capital reserve after fulfilling the requirements from the government in respect of the construction projects.

Since 1 January 2007, according to ASBE (2006), government grants related to assets (not including capital contribution by the government) are recognised as deferred income and amortised to profit or loss over the useful lives of the related assets.

According to "ASBE 38 - First-time adoption of ASBE", the Group is not required to adjust retrospectively for government grants existed before 31 December 2006. As a result, after the adoption of ASBE (2006), differences in government grants between ASBE and IFRS remains.

(d) *According to ASBE (2006), in preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods in respect of business combination under common control. Accordingly, the capital reserve was adjusted for its increase in net assets due to business combination. According to IFRS, the comparative figures of consolidated financial statements should not be restated for business combination under common control.*

(e) *Other adjustments are not material individually.*

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

48 Comparative figures

The Group began to adopt ASBE (2006) on 1 January 2006 and the adjustments of comparative figures are set out as follows:

	The Group		
	After adjustments of change in accounting policies *RMB'000*	**Business combination involving entities under common control** *RMB'000*	**Restated** *RMB'000*
Cash at bank and in hand	1,278,241	55,031	1,333,272
Designated loans	—	100,000	100,000
Prepayments	60,507	6,171	66,678
Other receivables	46,403	927	47,330
Fixed assets	35,261,035	3,909	35,264,944
Construction in progress	11,494,854	763,347	12,258,201
Deferred tax assets	127,979	3,087	131,066
Short-term loans	(9,994,902)	(125,000)	(10,119,902)
Trade payables	(3,010,484)	(4,625)	(3,015,109)
Bank acceptance bills payable	(1,446,841)	(283,845)	(1,730,686)
Wages payable	(276,660)	(1,047)	(277,707)
Other payables	(1,218,671)	(14,206)	(1,232,877)
Taxes payable	(319,601)	(16)	(319,617)
Long-term loans	(18,595,926)	(500,000)	(19,095,926)
Capital reserve	(2,018,190)	(9,500)	(2,027,690)
Retained profits	(3,876,587)	5,954	(3,870,633)
Minority interest	(2,103,298)	(187)	(2,103,485)
Total	5,407,859	—	5,407,859

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

49 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 3. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

(1) 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. 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.

NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) *(continued)*

49 Accounting estimates and judgements *(Continued)*

(2) 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.

(3) 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.