Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

1. General Information

Datang International Power Generation Co., Ltd. (the "Company") was incorporated in Beijing, the People's Republic of China (the "PRC"), on 13 December 1994 as a joint stock limited company. The address of its registered office is No.482 Guanganmennei avenue, Xuanwu District, Beijing, PRC. The Company listed its H Shares on the Stock Exchange of Hong Kong Limited and the London Stock Exchange Limited on 21 March 1997 and was registered as a sino-foreign joint venture on 13 May 1998. On 20 December 2006, the Company listed its A Shares on the Shanghai Stock Exchange.

The principal activity of the Company and its subsidiaries and jointly controlled entities (the "Company and its Subsidiaries") is power generation and power plant development in the PRC. Substantially all of the businesses of the Company and its Subsidiaries are conducted within one industry segment.

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

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Company and its Subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale investments and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Company and its Subsidiaries. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

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

(a) Basis of preparation (Cont'd)

A significant portion of the Company and its Subsidiaries' funding requirements for capital expenditure was satisfied by short-term borrowings. Consequently, as at 31 December 2007, the Company and its Subsidiaries had a negative working capital balance of approximately Rmb30,123 million (31 December 2006 – Rmb12,104 million). The Company and its Subsidiaries had significant undrawn borrowing facilities, subject to certain conditions, amounting to approximately Rmb55,069 million (31 December 2006 – Rmb65,791 million) (Note 36(c)) and may refinance and/or restructure certain short-term loans into long-term loans and will also consider alternative sources of financing, where applicable. The directors of the Company and its Subsidiaries are of the opinion that the Company and its Subsidiaries will be able to meet its liabilities as and when they fall due within the next twelve months and have prepared these financial statements on a going concern basis.

Standards, interpretations and amendments to published standards are mandatory for financial year with annual period beginning on or after 1 January 2007 and relevant to the Company and its Subsidiaries

- IFRS 7, Financial Instruments: Disclosures and a complementary amendment to International Accounting Standard ("IAS") 1, Presentation of Financial statements – Capital Disclosures. IFRS 7 introduces new disclosures relating to financial instruments. This standard introduces certain revised disclosure requirements, including the mandatory disclosures on sensitivity analysis for each type of market risk. It replaces IAS 30, Disclosures in the Financial statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation and is applicable to all entities reporting under IFRS. The amendment to IAS 1 introduces disclosures on the objectives, policies and processes for managing capital. Except for an extension of disclosures, the Company and its subsidiaries considered there was no significant impact from adopting IFRS 7 and the amendment to IAS 1 on the financial statements of the Company and its Subsidiaries.

- International Financial Reporting Interpretation Committee Interpretation ("IFRIC Interpretation") 10, Interim Financial Reporting and Impairment. This interpretation prohibits the impairment losses recognised in a previous interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at subsequent balance sheet dates. The Company and its subsidiaries considered there was no significant impact from adopting IFRIC Interpretation 10 on the financial statements of the Company and its Subsidiaries.

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

(a) Basis of preparation (Cont'd)

Standards, interpretations and amendments to published standards not yet effective and relevant to the operations of the Company and its Subsidiaries

Certain new standards, interpretations and amendments to published standards have been published, that are relevant to the operations of the Company and its Subsidiaries, but not yet effective and have not been early adopted are as follows:

- IAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). IAS 1 (Revised) requires all owner changes in equity to be presented in a statement of changes in equity. All comprehensive income is presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). It requires presenting a statement of financial position as at the beginning of the earliest comparative period in a complete set of financial statements when there are retrospective adjustments or reclassification adjustments. However, it does not change the recognition, measurement or disclosure of specific transactions and other events required by other IFRSs. The Company and its Subsidiaries will apply IAS 1 (Revised) from 1 January 2009.

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. This amendment will not have an impact on the Company and its Subsidiaries as the option to capitalise the borrowing costs is already applied.

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Company and its Subsidiaries will apply IFRS 8 from 1 January 2009. The management is currently assessing the impact of IFRS 8.

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

(a) Basis of preparation (Cont'd)

- IAS 27, 'Consolidated and separate financial statements' (effective for annual periods beginning on or after 1 July 2009). It replaces IAS 27 (revised in 2003) and establishes the amendments to the presentation, accounting treatment and disclosure requirement related to the consolidated financial statements. IAS 27 describes the "Minority Interest" as the "Non-controlling Interest" and requires total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. Gain or loss is recognised in the income statement when an entity loses control of a subsidiary. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Company and its Subsidiaries have not early adopted IAS 27 and will apply IAS 27 in its financial statements from 1 January 2010. Since the Company and its Subsidiaries are using "Parent Company" approach instead of the "Economic Entity" approach required by the IAS 27 (Revised), therefore the adoption of IAS 27 (Revised) in 2010 will result in a change of accounting policy. However, the management do not expect this change will have material impact to the financial statements of the Company and its Subsidaireis.

- IFRS 3 (Revised) "Business Combination" (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are 'capable of being conducted' rather than 'are conducted and managed'. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other IFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The Company and its Subsidiaries will apply IFRS 3 (Revised) from 1 January 2010.

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

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries and jointly controlled entities made up to 31 December.

(i) Subsidiaries

Subsidiaries are all entities over which the Company and its Subsidiaries have the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and its Subsidiaries and are no longer consolidated from the date that control ceases.

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company and its Subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at costs less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Transactions with minority interests

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

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

(b) Consolidation (Cont'd)

(iii) Jointly controlled entities

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

In the Company's balance sheet the investments in jointly controlled entities are stated at cost less provision for impairment losses. The results of the joint controlled entities are accounted for by the Company on the basis of dividends received and receivable.

(iv) Associates

Associates are all entities over which the Company and its Subsidiaries have significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Under this method, the Company and its Subsidiaries' share of the post-acquisition profits or losses of associates is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amounts of the investments. The Company and its Subsidiaries' investments in associates include goodwill (net of accumulated impairment loss) on acquisition. When the Company and its Subsidiaries' share of losses in an associate equals or exceeds their interest in the associate, the Company and its Subsidiaries do not recognise further losses, unless the Company and its Subsidiaries have incurred obligations or made payments on behalf of the associates.

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

(b) Consolidation (Cont'd)

(iv) Associates (Cont'd)

Unrealised gains on transactions between the Company and its Subsidiaries and their associates are eliminated to the extent of the Company and its Subsidiaries' interests in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company and its Subsidiaries.

In the Company's balance sheet the investments in associates are stated at cost less provision for impairment losses. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The primary format for reporting segment information of the Company and its Subsidiaries is business segment, with secondary information reported geographically.

(d) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(d) Foreign currency translation (Cont'd)

(iii) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(e) Property, plant and equipment

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

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

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

(e) Property, plant and equipment (Cont'd)

Depreciation is calculated using the straight-line method to allocate their residual values over their estimated useful lives, as follows:

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

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and its Subsidiaries and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

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

(f) Land use rights

Land use rights represent upfront prepayments made for the land use rights and lease hold land and are expensed in the income statement on a straight-line basis over the period of the leases or when there is impairment, the impairment is expensed in the income statement.

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

(g) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(ii) Resource use rights

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

(iii) Computer software

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives and recorded in other operating cost in the income statement.

(h) Other long-term assets

Other long-term assets are coal mine exploration costs, which are stated at cost and are reduced to the recoverable amounts should impairment occur.

(i) Impairment of investment in subsidiaries, associates, jointly controlled entities and non-financial assets

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

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

(j) Financial assets

The Company and its Subsidiaries classified their financial assets into the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'notes receivable', 'accounts receivable', 'prepayments and other receivables', 'dividend receivables' 'short-term and long-term entrusted loans to subsidiaries and associates' in the balance sheet.

(ii) Available-for-sale investments

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

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

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

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

(j) Financial assets (Cont'd)

(ii) Available-for-sale investments (Cont'd)

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

The Company and its Subsidiaries assess at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment loss of the available-for-sale financial investments recorded at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed. Impairment testing of receivables is described in Note 2(l).

(k) Inventories

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

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

(l) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of receivables is established when there is objective evidence that the Company and its Subsidiaries will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the carrying amount of the asset and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amounts of the receivables are reduced through the use of allowance accounts, and the amount of the provision is recognised in the income statement within 'operating expenses – others'. Where evidence exists that balance cannot be recovered, for example, debtor is terminated, liquidated, in the position of negative equity, insufficient cash inflow or the balances are outstanding over three years, bad debts are recognised and corresponding provision for bad debt is written off. Subsequent recoveries of amounts previously written off are credited against 'operating expenses – others' in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and financial institution and other short-term highly liquid investments with original maturities of three months or less.

(n) Accounts payable and other payables

Accounts payable and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(o) Borrowings

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

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

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

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

(p) Borrowing costs

Borrowing costs incurred for the construction for any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed and included as finance costs in the period in which they are incurred.

(q) Taxation

(i) Value-added tax ("VAT")

Under the relevant PRC tax laws, the Company and its Subsidiaries are subject to VAT. The Company and its Subsidiaries are subject to output VAT levied at 17% of the Company and its Subsidiaries' operating revenue, except for the output VAT of heat sales which is levied at 13% and the revenue of Hebei Datang International Huaze Hydropower Development Company Limited ("Huaze Hydropower Company") and Inner Mongolia Datang International Duolun Hydropower Multiple Development Company Limited ("Duolun Hydropower Company") which is levied at 6%. The input VAT can be used to offset the output VAT levied on operating revenue to determine the net VAT payable. Because VAT is tax on the customer and the Company and its Subsidiaries collect such tax from the customers and pay such tax to the suppliers on behalf of the tax authority, VAT is not included in operating revenue or operating expenses.

(ii) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

According to the relevant income tax law, Sino-foreign enterprises are, in general, subject to statutory income tax of 33% (30% of Enterprises Income Tax and 3% of local income tax). If these enterprises are located in certain specified locations or cities, or are specifically approved by State Tax Bureau, a lower tax rate would be applied.

Certain power plants are exempted from income tax for two years starting from the year of commercial operation, followed by a 50% reduction of the applicable tax rate for the next three years ("tax holiday").

The statutory income tax is assessed on an individual entity basis, based on each of their results of operations. The commencement date of the tax holiday period of each power plant is individually determined.The income tax charges are based on assessable profit for the year and after considering deferred taxation.

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

(q) Taxation (Cont'd)

(ii) Current income tax (Cont'd)

In March 2007, the PRC government promulgated the Corporate Income Tax Law (the "CIT Law") which will be effective from 1 January 2008. The CIT Law will impose a single income tax rate of 25% for both domestic and foreign invested enterprise. The existing Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises (the "FIE and FE tax laws") and Provisional Regulations of the People's Republic of China on Enterprise Income Tax (collectively referred to as the "existing tax laws") will be abolished simultaneously. The power plants of the Company and its Subsidiaries applied the tax rates under the existing tax laws in 2007. The CIT Law has provided a 5-year transitional period for those entities that applied FIE and FE tax laws in previous years.

(iii) Deferred income tax

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

However, deferred income tax is not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

(r) Deferred income

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

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

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

(s) Derivative financial instruments

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

Derivative financial instruments that do not qualify for hedge accounting are classified as held-for-trading and carried at fair value, with changes in fair value included in the income statements. Trading derivatives are classified as a current asset or liability.

(t) Provisions

Provisions for environmental restoration and legal claims are recognised when: the Company and its Subsidiaries have a present legal or constructive obligation as a resut of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

(u) Revenue and income recognition

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

(i) Operating revenue

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

(ii) Interest income

Interest income from deposits placed with banks and other financial institutions is recognised on a time proportion basis taking into account deposit balances and the effective interest method.

(iii) Dividend income

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

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

(v) Employee benefits

(i) Pension and other social obligations

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

(ii) Staff housing benefits

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

During 2005 to 2007, the Company and some of its subsidiaries also started to provide monetary housing subsidies to their employees. These subsidies are considered housing benefits and are recorded as deferred housing benefits which are amortised on a straight-line basis over the estimated service lives of the relevant employees and included in wages and staff welfare expenses.

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

(w) Operating lease

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

(x) Dividends distribution

Dividend distribution is recorded as a liability in the financial statements of the Company and its Subsidiaries in the period in which they are approved by the shareholders of the Company and its Subsidiaries.

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

(y) Financial guarantee contracts

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

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

(z) Contingencies

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

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

3. Financial Risk Management

(a) Financial risk factors

The activities of the Company and its Subsidiaries expose them to a variety of financial risks including cash flow and fair value interest rate risk, foreign exchange risk, credit risk and liquidity risk. The Company and its Subsidiaries' overall risk management program focus on the unpredictability of financial markets and seek to minimize potential adverse effects on the Company and its Subsidiaries' financial performance.

(i) Cash flow and fair value interest rate risk

As the Company and its Subsidiaries have no significant interest-bearing assets, the income and operating cash flows of the Company and its Subsidiaries are substantially independent of changes in market interest rates.

3. Financial Risk Management (Cont'd)

(a) Financial risk factors (Cont'd)

(i) Cash flow and fair value interest rate risk (Cont'd)

The Company and its Subsidiaries' interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company and its Subsidiaries to cash flow interest rate risk. Bonds and loans issued at fixed rates expose the Company and its Subsidiaries to fair value interest rate risk. The Company and its Subsidiaries manage its cash flow interest rate risk by using "pay-fixed-receive-floating" interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The amounts of long-term borrowings at fixed rates and variable rates are disclosed in Note 21.

At 31 December 2007, if interest rates on borrowings had been 50 basis points (2006: 100 basis points) higher/lower with all other variables held constant, interest expense for the year would have been RMB297 million (2006: RMB428 million) higher/lower. The ranges of such sensitivity disclosed above were based on the observation on the historical trend of related interest rates over the past 1 year.

(ii) Foreign exchange risk

The businesses of the Company and its Subsidiaries are principally conducted in Rmb, except that purchases and financing of certain electricity utility plant equipment are denominated in United States dollars ("USD"). Dividends to shareholders holding H Shares are declared in Rmb and paid in Hong Kong dollars ("HKD"). As at 31 December 2007, substantially all of the Company and its Subsidiaries' assets and liabilities were denominated in Rmb except for cash and bank deposits of approximately Rmb98 million (31 December 2006 – Rmb54 million), short-term loans of approximately Rmb22 million (31 December 2006 – Nil), long-term loans of approximately Rmb2,229 million (31 December 2006 – Rmb2,860 million) and a convertible bond of approximately Rmb108 million (31 December 2006 – Rmb1,112 million), which were denominated in foreign currencies, principally in USD and HKD. The fluctuation of the exchange rates of Rmb against foreign currencies could affect the Company and its Subsidiaries' results of operation.

The management of the Company and its Subsidiaries maintain a close look at the international foreign currency market on the changing exchange rates and takes these into consideration when investing in foreign currency deposits and loans rising.

3. Financial Risk Management (Cont'd)

(a) Financial risk factors (Cont'd)

(ii) Foreign exchange risk (Cont'd)

At 31 December 2007, if RMB had weakened/strengthened by 5% (31 December 2006: 5%) and 5% (31 December 2006: 5%) against USD and HKD with all other variables constant, post-tax profit for the year would have been RMB113 million (2006: RMB196 million) and RMB113 million (2006: RMB196 million) lower/higher respectively. The ranges of such sensitivity disclosed above were based on the observation of management on the historical trend of related exchange rates.

(iii) Credit risk

Significant portion of the cash and cash equivalents of the Company and its Subsidiaries, are deposited with certain large state-owned banks of the PRC.

The Company and its Subsidiaries sell electricity generated to their sole customers, the power grid companies of the respective provinces or regions where the power plants operate.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The directors consider that the maximum exposure is reflected by the amount of banks and accounts receivable and other current assets, net of provisions for impairment recognised at the balance sheet date.

The Company and its Subsidiaries communicate with their individual grid companies periodically and believe that adequate provision for doubtful accounts have been made in the financial statements. Management does not expect any losses from non-performance by these power grid companies.

The table below shows the bank deposits balance of major banks as at 31 December 2006 and 2007. As majority of the cash was deposited in major state-owned banks, management do not expect any losses from non-performance by these banks.

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

3. Financial Risk Management (Cont'd)

(a) Financial risk factors (Cont'd)

(iii) Credit risk risk (Cont'd)

Counterparty	Rating *	As at 31 December 2007	2006
Industrial and Commercial Bank of China	A–	**2,096,786**	4,340,510
China Construction Bank	A–	**393,295**	16,042
Agricultural Bank of China	NR	**296,350**	1,838
Bank of China	A–	**84,903**	5,961
Bank of Communications	BBB	**33,679**	99
Others		**792,472**	86,359
Total		**3,697,485**	4,450,809

* The source of current credit rating is from Standard & Poor as of 31 December 2007.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company and its Subsidiaries aim to maintain flexibility in funding by maintaining availability under committed credit facilities.

Management monitors the liquidity reserve rolling forecasts of the Company and its Subsidiaries which comprises the undrawn borrowing facility and cash and cash equivalents (Note 36 (c) and 18) available as at each month end in meeting its liabilities.

The table below analyses the financial liabilities of the Company and its Subsidiaries and the Company level alone based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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

3. Financial Risk Management (Cont'd)

(a) Financial risk factors (Cont'd)

(iv) Liquidity risk (Cont'd)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Company and its Subsidiaries				
At 31 December 2007				
Accounts payable and other liabilities	11,727,364	–	–	–
Short-term loans	23,719,640	–	–	–
Long-term loans	7,022,217	7,510,527	17,897,939	37,760,817
Short-term bonds	3,045,192	–	–	–
	45,514,413	7,510,527	17,897,939	37,760,817
At 31 December 2006				
Accounts payable and other liabilities	8,186,778	–	–	–
Short-term loans	9,831,058	–	–	–
Long-term loans	5,213,807	5,404,079	18,538,500	27,775,926
Short-term bonds	1,016,032	–	–	–
	24,247,675	5,404,079	18,538,500	27,775,926
Company				
At 31 December 2007				
Accounts payable and other liabilities	3,514,311	–	–	–
Short-term loans	5,046,274	–	–	–
Long-term loans	790,804	259,867	779,601	4,827,594
Short-term bonds	3,045,192	–	–	–
	12,396,581	259,867	779,601	4,827,594
At 31 December 2006				
Accounts payable and other liabilities	2,310,027	–	–	–
Short-term loans	2,198,888	–	–	–
Long-term loans	440,235	585,235	2,863,556	7,225,562
Short-term bonds	1,016,032	–	–	–
	5,965,182	585,235	2,863,556	7,225,562

Notes to the Financial Statements

3. Financial Risk Management (Cont'd)

(a) Financial risk factors (Cont'd)

(iv) Liquidity risk (Cont'd)

The Company and its Subsidiaries' policy is to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of committed credit facilities to meet their commitments regarding construction of power plants. The amount of undrawn borrowing credit facilities at the balance sheet date is disclosed in Note 36(c).

(v) Price risk

The Company and its Subsidiaries are exposed to equity security price risk because of investments in Daqin Railway Company Limited ("Daqin Railway") held by the Company and its Subsidiaries and classified on the balance sheets as available-for-sale. The Company and its subsidiaries are not exposed to commodity price risk.

Being a strategic investment in nature, the Company closely monitors the pricing trends in the open market, reviews financial statements and attends shareholders' meeting of the investee on a regular basis in determining their long-term strategic stakeholding decisions.

At 31 December 2007, if the market share price of Daqin Railway decreased/increased by 5% (31 December 2006: 5%) with all other variables constant, available-for-sale investment revaluation reserve would have been RMB186 million (31 December 2006: RMB59 million) lower/higher. The range of such sensitivity disclosed above was based on the observation of management on the historical pricing trends and assessments of the financials of the investee.

(b) Risk related to financial guarantee provided to subsidiaries, associates and jointly controlled entity

The Company issues financial guarantee contracts to its subsidiaries, associates and jointly controlled entities for their borrowings from banks for business development. The risk under any one financial guarantee contract is the possibility that the insured event (default of a specified debtor) occurs and the uncertainty of the amount of the resulting claims. By the nature of such financial guarantee contracts, the risk is predictable.

Experience shows credit risks from specified debtors are relatively remote. The Company maintains a close watch on the financial position and liquidity of the subsidiaries, associates and jointly controlled entities for which financial guarantees have been granted in order to mitigate such risks (Note 2 (y)). The Company and its Subsidiaries take all reasonable steps to ensure that they have appropriate information regarding their claim exposures. Details of financial guarantee contracts are disclosed in Note 39.

3. Financial Risk Management (Cont'd)

(c) Fair value estimation

The carrying amounts of the Company and its Subsidiaries' cash and cash equivalents, receivables, other current assets, accounts payable and accrued liabilities, short-term loans and other current liabilities approximate their fair values because of the short maturity of these instruments.

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

The fair value of long-term loans, including current portions, of approximately Rmb43,204 million (31 December 2006 – Rmb43,189 million) as at 31 December 2007, have been estimated by applying a discounted cash flow approach using interest rates available for comparable instruments. As at the same date, the book value of these liabilities was approximately Rmb48,460 million (31 December 2006 – Rmb43,216 million).

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

(d) Capital risk management

The Company and its Subsidiaries' objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost or capital.

In order to maintain or adjust the capital structure, the Company and its Subsidiaries may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Company and its Subsidiaries monitor capital on the basis of the asset-to-liability ratio. This ratio is calculated as total liabilities divided by total assets. During 2007, the strategy of the Company and its Subsidiaries was to retain a relatively stable asset-to-liability ratio as prior year. The asset-to-liability ratio of the Company and its Subsidiaries as at 31 December 2007 was 71.88% (31 December 2006: 70.01%).

4. Critical Accounting Estimates and Judgements

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

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

(a) Useful lives of property, plant and equipment

The directors of the Company and its Subsidiaries determine the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on projected wear and tear incurred during power generation. It could change significantly as a result of technical innovations on power generators. Management will adjust the depreciation charge where useful lives vary with previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of property, plant and equipment.

(b) Carrying value of investments

The carrying value of investments is reviewed for impairment whenever events or changes in circumstances indicate the carrying amounts may not be recoverable. An impairment loss is recognised for the amounts by which the assets carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. Estimating the recoverable amounts of assets include various assumptions. Where future events do not correspond to such assumptions, the recoverable amounts will need to be revised, and this may have an impact on the amount of investment in associates and available-for-sale investments.

(c) Estimated impairment of goodwill

The Company and its Subsidiaries test annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(g). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 12). It is reasonably possible, based on existing knowledge, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of goodwill.

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

(d) Fair value of derivative financial instrument

The fair value of derivative financial instrument is the current bid price and, for an asset to be acquired or liability held, the asking price. If the market for an instrument is not active, fair value is established by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash analysis and option pricing models. Deviations of future cash flows would result in an adjustment to the value of the derivative financial instrument that could have a significant effect on the assets or liabilities arising from the swap arrangement (Note 24).

(e) Restraint in construction of new power plants

The receiving of the ultimate approval from National Development and Reform Commission ("NDRC") on certain of the Company and its Subsidiaries' power plants construction projects is a critical estimate and judgment of the directors. Such estimate and judgment are based on initial approval documents received as well as their understanding of the projects. Based on historical experience, the directors believe that the Company and its Subsidiaries will receive final approval from NDRC on the related power plant projects. Deviation from the estimate and judgment could result in significant adjustment to the value of the property, plant and equipment.

Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

5. Property, Plant and Equipment

	Company and its Subsidiaries					
	Dam	Buildings	Electricity utility plants in service	Transportation facilities, computer and others	Construction-in-progress	Total
Cost						
At 1 January 2006	–	1,891,738	40,768,922	880,091	27,651,859	71,192,610
Transfer in/(out)	852,467	5,710,340	19,279,965	1,069,282	(26,912,054)	–
Additions	–	76,187	259,883	87,138	17,936,707	18,359,915
Disposals	–	(7,203)	(9,307)	(15,629)	–	(32,139)
Acquisition of a subsidiary	–	29,687	–	495,973	3,477	529,137
Adjustment in consolidation scope (a)	–	183,669	–	37,244	3,604,453	3,825,366
At 31 December 2006	852,467	7,884,418	60,299,463	2,554,099	22,284,442	93,874,889
Reclassification	–	666,597	(661,404)	(5,193)	–	–
Transfer in/(out)	1,349,342	1,378,250	2,098,421	299,876	(5,125,889)	–
Additions	–	69,407	210,232	157,188	27,658,044	28,094,871
Disposals	–	(4,987)	(149,746)	(27,218)	(56,231)	(238,182)
Acquisition of subsidiaries *(Note 37)*	–	479,553	309,660	520,485	940,848	2,250,546
At 31 December 2007	2,201,809	10,473,238	62,106,626	3,499,237	45,701,214	123,982,124
Accumulated depreciation						
At 1 January 2006	–	190,609	11,670,117	383,774	–	12,244,500
Charge for the year	12,432	283,473	3,696,480	134,457	–	4,126,842
Written back on disposals	–	(967)	(7,580)	(10,141)	–	(18,688)
Adjustment in consolidation scope (a)	–	10,543	–	5,726	–	16,269
At 31 December 2006	12,432	483,658	15,359,017	513,816	–	16,368,923
Reclassification	–	(26,510)	38,117	(11,607)	–	–
Charge for the year	34,571	478,382	4,259,252	188,186	–	4,960,391
Written back on disposals	–	(6,030)	(74,168)	(21,302)	–	(101,500)
Acquisition of subsidiaries *(Note 37)*	–	28,804	9,653	130,769	–	169,226
At 31 December 2007	47,003	958,304	19,591,871	799,862	–	21,397,040
Net book value						
At 31 December 2007	2,154,806	9,514,934	42,514,755	2,699,375	45,701,214	102,585,084
At 31 December 2006	840,035	7,400,760	44,940,446	2,040,283	22,284,442	77,505,966
At 1 January 2006	–	1,701,129	29,098,805	496,317	27,651,859	58,948,110

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

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

Note a: On 20 July 2006, the Company entered into an agreement with one of the shareholders of Chongqing Datang International Pengshui Hydropower Development Company Limited ("Pengshui Hydropower Company") who owns 12% of the equity interest of Pengshui Hydropower Company. Pursuant to this agreement, that shareholder of Pengshui Hydropower Company will act in concert with the Company in the financial and operation decision making of Pengshui Hydropower Company. Hence, the Company obtained effective control over Pengshui Hydropower Company, which has been accounted for as a subsidiary of the Company since 20 July 2006.

	Company				
	Buildings	Electricity utility plants in service	Transportation facilities, computer and others	Construction-in-progress	Total
Cost					
At 1 January 2006	896,421	15,675,879	501,388	12,829,340	29,903,028
Sold to a subsidiary	–	(384)	(19,818)	(4,729,194)	(4,749,396)
Transfer in/(out)	1,566,341	5,862,382	16,043	(7,444,766)	–
Additions	2,454	251,273	47,071	6,562,018	6,862,816
Disposals	–	(9,307)	(14,671)	(10,665)	(34,643)
At 31 December 2006	2,465,216	21,779,843	530,013	7,206,733	31,981,805
Reclassification	(39,452)	37,700	1,752	–	–
Sold to a subsidiary	(1,550,443)	(5,850,343)	(19,736)	(443,804)	(7,864,326)
Transfer in/(out)	54,934	538,300	17,564	(610,798)	–
Additions	13,974	35,244	106,971	9,048,460	9,204,649
Disposals	(3,232)	(76,171)	(20,100)	–	(99,503)
As 31 December 2007	940,997	16,464,573	616,464	15,200,591	33,222,625
Accumulated depreciation					
At 1 January 2006	131,379	8,470,396	285,982	–	8,887,757
Sold to a subsidiary	–	(7)	(2,312)	–	(2,319)
Charge for the year	80,851	1,245,636	43,571	–	1,370,058
Written back on disposals	–	(7,580)	(9,212)	–	(16,792)
At 31 December 2006	212,230	9,708,445	318,029	–	10,238,704
Reclassification	(3,909)	3,735	174	–	–
Sold to a subsidiary	(79,860)	(363,259)	(5,340)	–	(448,459)
Charge for the year	135,530	1,012,753	44,548	–	1,192,831
Written back on disposals	(966)	(63,738)	(11,736)	–	(76,440)
As 31 December 2007	263,025	10,297,936	345,675	–	10,906,636
Net book value					
At 31 December 2007	677,972	6,166,637	270,789	15,200,591	22,315,989
At 31 December 2006	2,252,986	12,071,398	211,984	7,206,733	21,743,101
At 1 January 2006	765,042	7,205,483	215,406	12,829,340	21,015,271

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

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

Interest expense of approximately Rmb1,522million(2006 – approximately Rmb1,014 million) arising from borrowings entered into for the construction of power plants were capitalised during the year and are included in 'Additions' in property, plant and equipment. Capitalisation rates ranging from 5.20% to 7.20% (year end 31 December 2006 – 3.60% to 6.16%) per annum were used, representing the interest expense of the loans used to finance the projects.

Pursuant to Document No. 32 issued by NDRC in November 2004, the State government has tightened its control over the construction of power plants that have not received the relevant government approvals. The directors of the Company and its Subsidiaries have assessed the approval requirements of Document No. 32 and are of the opinion that their power plants under construction that are affected by Document No. 32 will ultimately obtain approval from NDRC.

As at 31 December 2007 and 2006, no plant, property and equipment was pledged to secure the Company and its Subsidiaries' borrowings.

6. Investmentsin Subsidiaries

	Company	
	2007	2006
Beginning of year	**4,759,796**	3,518,426
Adjustment in consolidation scope *(Note 5(a))*	**–**	248,900
Additional investments	**1,783,832**	992,470
Withdraw investments	**(40,000)**	–
End of year	**6,503,628**	4,759,796

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

6. Investments in Subsidiaries (Cont'd)

As at 31 December 2007, the Company directly and indirectly holds equity interests in the following subsidiaries, all of which are unlisted and limited liability companies established and operated in the PRC, except for Datang International (Hong Kong) Limited ("Datang Hong Kong"), which is registered in Hong Kong:

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Directly holds				
Inner Mongolia Datang International Tuoketuo Power Generation Company Limited ("Tuoketuo Power Company")	17 November 1995	1,714,020	60%	Power generation
Jiangxi Datang International Xinyu Power Generation Company Limited ("Xinyu Power Company")(Note 37)	16 June 1997	319,430	100%	Power generation
Tianjin Datang International Panshan Power Generation Company Limited ("Panshan Power Company")	6 August 1997	831,253	75%	Power generation
Huaze Hydropower Company	29 July 1998	59,162	90.43%	Hydropower generation
Shanxi Datang International Shentou Power Generation Company Limited ("Shentou Power Company")	8 December 1998	748,520	60%	Power generation
Shanxi Datang International Yungang Thermal Power Company Limited ("Yungang Thermal Power Company")	14 July 2000	250,000	80%	Power generation and heat supply
Yunnan Datang International Honghe Power Generation Company Limited ("Honghe Power Company")	27 April 2001	414,550	70%	Power generation
Gansu Datang International Liancheng Power Generation Company Limited ("Liancheng Power Company")	26 August 2001	275,500	55%	Power generation
Hebei Datang International Tangshan Thermal Power Company Limited ("Tangshan Thermal Power Company")	21 February 2002	380,264	80%	Power generation and heat supply

Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

6. Investments in Subsidiaries (Cont'd)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Yunnan Datang International Nalan Hydropower Development Company Limited ("Nalan Hydropower Company")	30 October 2002	173,370	51%	Hydropower generation
Yunnan Datang International Lixianjiang Hydropower Development Company Limited ("Lixianjiang Hydropower Company")	8 November 2002	260,000	70%	Hydropower generation
Shanxi Datang International Yuncheng Power Generation Company Limited ("Yuncheng Power Company")	28 March 2003	99,625	80%	Power generation (under construction)
Pengshui Hydropower Company (Note 5a)	28 August 2003	375,000	40%	Hydropower generation (under construction)
Jiangsu Datang International Lusigang Power Generation Company Limited ("Lusigang Power Company")	18 September 2003	132,222	90%	Power generation (under construction)
Inner Mongolia Datang International Hohhot Thermal Power Generation Company Limited ("Hohhot Thermal Company")	8 November 2003	60,000	51%	Power generation (under construction)
Guangdong Datang Internatinal Chaozhou Power Generation Company Limited ("Chaozhou Power Company")	15 November 2003	180,000	75%	Power generation
Fujian Datang International Ningde Power Generation Company Limited ("Ningde Power Company")	2 December 2003	250,000	51%	Power generation
Datang Hong Kong	3 December 2004	23,511	100%	Import of power related fuel and equipment

Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

6. Investments in Subsidiaries (Cont'd)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Chongqing Datang International Wulong Hydropower Development Company Limited ("Wulong Hydropower Company")	24 January 2005	50,000	51%	Hydropower generation (under construction)
Yunnan Datang International Wenshan Hydropower Development Company Limited ("Wenshan Hydropower Company")	8 April 2005	60,000	60%	Hydropower generation (under construction)
Hebei Datang International Wangtan Power Generation Company Limited	17 January 2006	450,000	70%	Power generation
Chongqing Datang International Shizhu Power Generation Company Limited ("Shizhu Power Company")	13 March 2006	10,000	70%	Power generation (under construction)
Duolun Hydropower Company	28 March 2006	28,520	51%	Hydropower generation and water supply
Sichuan Datang International Ganzi Hydropower Development Company Limited ("Ganzi Hydropower Company")	3 July 2006	50,000	80%	Hydropower generation (under construction)
Datang International Chemical Technology Research Institute Company Limited ("Chemical Technology Research Institute")	17 August 2006	50,000	100%	Coal chemistry related consulting service
Beijing Datang Fuel Company Limited ("Fuel Company")	8 December 2006	80,000	100%	Trading of coal
Inner Mongolia Datang International Zhuozi Wind Power Company Limited ("Zhuozi Wind Power Company")	21 December 2006	20,000	100%	Wind Power generation (under construction)

Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

6. Investments in Subsidiaries (Cont'd)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Datang International Hydropower Development Company Limited	19 April 2007	50,000	100%	Hydropower generation New energy development
Zhejiang Datang Wushashan Power Generation Company Limited ("Wushashan Power Company")	29 May 2007	1,700,000	51%	Power generation
Inner Mongolia Datang International Xilinhaote Mining Company Limited ("Xilinhaote Mining Company")	23 August 2007	100,000	100%	Coal mining (under construction)
Yunnan Datang International Hengjiang Hydropower Development Company Limited	25 July 2007	2,000	70%	Hydropower development (Pre construction)
Inner Mongolia Datang International Renewable Energy Resource Development Company Limited ("Renewable Energy Resource Development Company") *	26 July 2007	10,000	26%	Production of alumina (under construction)
Yunnan Datang International Electric Power Company Limited	31 August 2007	50,000	100%	Power plant construction and operation (pre construction)
Indirectly holds				
Inner Mongolia Datang Fuel Company Limited ("Inner Mongolia Datang Fuel Company")	25 July 2007	10,000	100%	Coal sales
Jiangsu Datang shipping Company Limited ("Jiangsu Datang shipping Company")	6 September 2007	100,000	73.5%	ship transportation

* The Company entered into agreements with two shareholders of Renewable Energy Resource Development Company, who hold 24% and 25% of the equity interest in this company respectively. Pursuant to which the two shareholders will act in concert with the Company in the financial and operation decision making of this company. Therefore the Company obtained effective control over this company and accounted for this company as a subsidiary since 26 July 2007.

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

7. Investment in Jointly Controlled Entities

As at 31 December 2007, the Company directly and indirectly held equity interests in the following jointly controlled entities, which are all unlisted limited liability companies established and operated in the PRC:

Company name	Date of establishment	Registered capital	Attributable interest direct	Attributable interest indirect	Principal activities
Kailuan (Group) Yuzhou Mining Company Limited ("Yuzhou Mining Company")	26 March 1998	447,520	34%	15%	Coal mining, sales
Inner Mongolia Huineng Changtan Coal Mining Company Limited ("Changtan Company")	15 September 2005	50,000	40%	–	Coal mining, sales (pre-construction)
Hebei Yuzhou Energy Multiple Development Company Limited ("Yuzhou Energy")	29 September 2005	400,000	50%	–	Power generation (pre-construction) and investment in a railway company and a coal mining company
Fujian Ningde Nuclear Power Company Limited ("Ningde Nuclear Power Company")	23 March 2006	200,000	49%	–	Nuclear power plant investment, construction and operation (under construction)

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

7. Investment in Jointly Controlled Entities (Cont'd)

The following amounts represent the Company's share of the assets and liabilities of the jointly controlled entities.

	As at 31 December	
	2007	2006
Assets:		
Non-current assets	**2,760,051**	547,620
Current assets	**326,625**	7,969
	3,086,676	555,589
Liabilities:		
Non-current liabilities	**762,426**	176,500
Current liabilities	**1,216,844**	132,496
	1,979,270	308,996
Net assets	**1,107,406**	246,593
Proportionate interests in jointly controlled entities' commitments	**210,914**	–
Revenue	**222,907**	27,426
Loss	**(63,856)**	(17,669)

As at 31 December 2007, the Company had provided guarantees for loans to the jointly controlled entities according to the Company's shareholding percentage therein, totalling approximately Rmb 567 million (31 December 2006 – Rmb292 million).

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

8. Investments in Associates

	Company and its Subsidiaries	
	2007	2006
Beginning of year	**857,421**	793,316
Additional investments	**121,110**	260,987
Share of results after tax	**108,393**	9,458
Share of fair value gains, net of tax	**355,252**	114,291
Dividends	**(2,270)**	(2,017)
Adjustment in consolidation scope *(Notes 5(a))*	**(98,000)**	(248,900)
Other scope changes *	**–**	(69,714)
End of year	**1,341,906**	857,421

* At 31 December 2005, Tongmei Datang Multiple Utilisation Thermal Power Company Limited ("Tongmei Thermal Power Company") was an associate of Yungang Thermal Power Company, a subsidiary of the Company. During 2006, Tongmei Thermal Power Company received additional capital injection from its investors except for Yungang Thermal Power Company. Consequently, Yungang Thermal Power Company's share of equity interest decreased from 20% to 14% and ceased to have the ability to cast significant influence over Tongmei Thermal Power Company and the investment in Tongmei Thermal Power Company has since been treated as an available-for-sale investment thereafter.

	Company	
	2007	2006
Beginning of year	**708,692**	696,692
Additional investments	**76,110**	260,900
Adjustment in consolidation scope *(Note 5(a))*	**(98,000)**	(248,900)
End of year	**686,802**	708,692

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

	2007	2006
Assets	**22,076,634**	12,012,663
Liabilities	**(17,449,471)**	(10,041,697)
Revenue	**2,706,560**	880,537
Profit/(Loss) for the year	**311,499**	(17,452)

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

8. Investments in Associates (Cont'd)

As at 31 December 2007, the Company and its Subsidiaries held equity interests in the following associates, all of which are unlisted and limited liability companies established and operated in the PRC except Macro Technologies Inc. (Viet Nam) Limited, which is established and operated in Viet Nam:

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Directly held				
China Datang Group Finance Company Limited ("Datang Finance")	28 November 1984	500,000	20%	Financial services
North China Electric Power Research Institute Company Limited ("NCEPR")	7 December 2000	100,000	30%	Power related technology services
Beijing Texin Datang Heat Company Limited ("Datang Texin")	27 April 2002	172,800	49%	Heat supply
Ningxia Datang International Daba Power Generation Company Limited ("Daba Power Company")	31 October 2003	40,000	45%	Power generation (under construction)
Tongfang Investment Company Limited	16 June 2004	550,000	36.36%	Project investment and management
Tongmei Datang Tashan Coal Mine Company Limited ("Tashan Coal Mine")	15 July 2004	385,790	28%	Coal mining
Tangshan Huaxia Datang Power Fuel Company Limited	10 August 2004	20,000	30%	Trading of power fuel
Tongmei Datang Tashan Power Generation Company Limited ("Tashan Power Company")	10 October 2006	160,000	40%	Power generation (under construction)

Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

8. Investments in Associates (Cont'd)

Company name	Date of establishment	Registered capital	Attributable interest	Principal activities
Inner Mongolia Datang Tongfang Silicon and Aluminium Technology Company Limited ("Tongfang Silicon and Aluminium")	26 July 2007	10,000	26%	Development and production of silicon and aluminium alloy
Yunnan Datang International Deqin Hydropower Development Company Limited	11 October 2007	2,000	40%	Hydropower construction, generation (pre-construction)
Indirectly held				
Qian'an Datang Thermal Power Company Limited ("Qian'an Power Company")	15 November 2005	20,000	36%	Power generation (pre-construction)
Macro Technologies Inc. (Viet Nam) Limited	26 September 2002	360	35%	Technology service related power generation
COSCO Datang Shipping Company Limited ("COSCO Datang")	19 July 2007	100,000	45%	Ship transportation, goods and technology import

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

9. Available-for-sale Investments

	Company and its Subsidiaries		Company	
	2007	2006	**2007**	2006
Beginning of the year	**1,774,184**	306,294	**1,700,076**	301,900
Acquisition	**9,225**	–	**–**	–
Additional investments	**17,000**	538,150	**17,000**	538,150
Revaluation surplus	**2,933,355**	860,026	**2,933,355**	860,026
Other scope changes *(Note 8*)*	**–**	69,714	**–**	–
End of the year	**4,733,764**	1,774,184	**4,650,431**	1,700,076

Company and its Subsidiaries	At 31 December 2006	Acquisi-tion	Additional investment	Revaluation surplus	At 31 December 2007	Principle activities
China Continent Property And Casualty Insurance Company Limited ("CCPC") (a)	103,000	–	–	–	103,000	Property insurance
Daqin Railway (b)	1,356,176	–	–	2,933,355	4,289,531	Railway transportation
Tanggang Railway Company Limited ("Tanggang Railway") (c)	240,000	–	–	–	240,000	Railway transportation
Tongmei Thermal Power Company Limited (d)	69,714	–	–	–	69,714	Power generation (under construction)
Sichuan Dadu River Shuangjiangkou Hydropower Company Limited ("Dadu River Hydropower Company") (e)	–	–	17,000	–	17,000	Hydropower generation (pre-construction)
Xinyu Yangfang Transportation Company Limited (f)	–	9,225	–	–	9,225	Road transportation
Others	5,294	–	–	–	5,294	
Total	1,774,184	9,225	17,000	2,933,355	4,733,764	

9. Available-for-sale Investments (Cont'd)

(a) This represents a 5.81% unlisted equity investment in CCPC (31 December 2006: 5.81%) directly held by the Company.

(b) This represents 167,429,000 A shares of Daqin Railway, representing 1.29% of Daqin Railway's issued shares (31 December 2006: 1.29%). Daqin Railway issued its A share in Shanghai Stock Exchange on 1 August 2006. As at 31 December 2007, its share price is Rmb25.62 per share.

(c) This represents a 14.97% unlisted equity investment held by the Company (31 December 2006: 14.97%).

(d) This represents a 14% unlisted equity investment held by Yungang Thermal Power Company, a subsidiary of the Company (Note 8*).

(e) This represents a 17% unlisted equity interest acquired by the Company in 2007.

(f) This represents a 11.25% unlisted equity interest held by Xinyu Power Company, a subsidiary acquired by the Company in 2007.

(g) Except for the investment in Daqin Railway, all other investments do not have quoted market prices in an active market. Based on the limited forecast financial information regarding these investments available to the Company and its Subsidiaries, the directors are of the opinion that there are no appropriate methods to reliably measure their fair values. Accordingly, these investments are stated at cost and are subject to review for impairment loss.

There were no provisions for impairment on available-for-sale investments for the years ended 31 December 2007 and 2006.

Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

10. Land Use Right

Land use rights represent the Company and its Subsidiaries' prepayments for the leasehold land located in the PRC which are held on leases between 37 years to 70 years.

The movement is as follows:

	Company and its Subsidiaries	Company
At 1 January 2006		
Cost	492,139	288,982
Accumulated amortisation	(63,692)	(62,871)
Net book value	428,447	226,111
Year ended 31 December 2006		
Opening net book value	428,447	226,111
Addition	213,623	3,519
Amortisation charge	(9,471)	(5,783)
Closing net book value	632,599	223,847
At 31 December 2006		
Cost	705,762	292,501
Accumulated amortisation	(73,163)	(68,654)
Net book value	632,599	223,847
Year ended 31 December 2007		
Opening net book value	632,599	223,847
Addition	201,239	113,722
Amortisation charge	(19,903)	(6,370)
Closing net book value	813,935	331,199
At 31 December 2007		
Cost	907,001	406,223
Accumulated amortisation	(93,066)	(75,024)
Net book value	813,935	331,199

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

10. Land Use Right (Cont'd)

Company and its Subsidiaries	**31 December 2007**	31 December 2006
Outside of Hong Kong, held on:		
Leases between 10 to 50 years	**788,658**	305,547
Leases over 50 years	**25,277**	25,652
	813,935	331,199

11. Deferred Housing Benefits

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

During 2005 to 2007, the Company and some of its subsidiaries carried out another housing benefit scheme – "Monetary Housing Benefit Scheme" in accordance with the approval from Housing Reform Office of the local government. Under the Monetary Housing Benefit Scheme, the Company and its Subsidiaries will provide monetary housing subsidies to those employees whose houses do not meet the standard they should have enjoyed based on the duration of service and their posts and ranks. The subsidy payment amounted to approximately Rmb 43,875,000 in 2007 (2006: Rmb180,120,000) and is being amortised over the shorter of a 10-year period or the residual service period prior to their retirements.

Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

11. Deferred Housing Benefits (Cont'd)

	Company and its Subsidiaries	
	2007	2006
Cost		
Beginning of year	**618,657**	438,537
Addition	**43,875**	180,120
End of year	**662,532**	618,657
Accumulated amortisation		
Beginning of year	**(318,425)**	(250,070)
Charge for the year	**(83,162)**	(68,355)
End of year	**(401,587)**	(318,425)
Net book value		
End of year	**260,945**	300,232
Beginning of year	**300,232**	188,467

	Company	
	2007	2006
Cost		
Beginning of year	**454,630**	438,537
Addition	**–**	16,093
End of year	**454,630**	454,630
Accumulated amortisation		
Beginning of year	**(300,850)**	(250,070)
Charge for the year	**(61,606)**	(50,780)
End of year	**(362,456)**	(300,850)
Net book value		
End of year	**92,174**	153,780
Beginning of year	**153,780**	188,467

Notes to the Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

12. Intangible Assets

	Company and its Subsidiaries				Company		
	Goodwill	Resource use rights	Computer software	Total	Goodwill	Computer software	Total
Year ended 31 December 2006							
Beginning of year	33,561	19,667	9,076	62,304	33,561	–	33,561
Additions	9,883	8,646	8,558	27,087	–	–	–
Amortisation for the year	–	(2,648)	(3,167)	(5,815)	–	–	–
End of year	43,444	25,665	14,467	83,576	33,561	–	33,561
At 31 December 2006							
Cost	43,444	28,646	18,458	90,548	33,561	–	33,561
Accumulated amortisation	–	(2,981)	(3,991)	(6,972)	–	–	–
Net book amount	43,444	25,665	14,467	83,576	33,561	–	33,561
Year ended 31 December 2007							
Beginning of year	43,444	25,665	14,467	83,576	33,561	–	33,561
Additions	105,263	2,113	20,843	128,219	–	7,002	7,002
Amortisation for the year	–	(3,183)	(6,422)	(9,605)	–	(1,670)	(1,670)
End of year	148,707	24,595	28,888	202,190	33,561	5,332	38,893
At 31 December 2007							
Cost	148,707	30,759	39,301	218,767	33,561	7,002	40,563
Accumulated amortisation	–	(6,164)	(10,413)	(16,577)	–	(1,670)	(1,670)
Net book amount	148,707	24,595	28,888	202,190	33,561	5,332	38,893

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

12. Intangible Assets (Cont'd)

The movement of goodwill is further detailed based on the individual cash generating unit allocated as follows:

	At 31 December 2006	Addition	At 31 December 2007
Zhangjiakou Power Plant No. 2 generator	33,561	–	**33,561**
Shayu Railway Company *(Note 37)*	9,883	–	**9,883**
Hohhot Thermal Company *(Note 37)*	–	902	**902**
Xinyu Power Company *(Note 37)*	–	104,361	**104,361**
	43,444	105,263	**148,707**

The directors believe that there is no impairment on the goodwill.

Impairment tests for goodwill of Xinyu Power Plant

Goodwill is allocated to the cash-generating units of the Company and its Subsidiaries identified according to their operations in different regions. Significant portion of the carrying amount of goodwill is allocated to Xinyu Power Company.

The recoverable amount of goodwill of Xinyu Power Company is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five-year period. The Company expects cash flows beyond the five-year period will be similar to that of the fifth year based on existing production capacity.

Pre-tax discount rate used for value-in-use calculations is 10.47%.

Key assumptions used for value-in-use calculations include the expected tariff rates, demands of electricity in specific regions where these power plants are located and fuel cost. Management determined these key assumptions based on past performance and its expectations on market development. The discount rates used are pre-tax and reflect specific risks relating to Xinyu Power Company.

Based on the assessments, no goodwill was impaired.

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

13. Long-term Entrusted Loans to Subsidiaries

	Company As at 31 December	
	2007	2006
Entrusted loan receivable from subsidiaries	**1,223,657**	375,562

On 30 September 2006, the Company provided a loan amounting to USD 50 million to Shentou Power Company through Bank of China, bearing interest at 6-month LIBOR plus 1% with a duration of 89 months. There are no pledges or guarantees on this loan. As at 31 December 2007, the balance was approximately Rmb322,031,000(31 December 2006– 375,562,000), comprising of a principal balance of Rmb321,403,000(31 December 2006– 374,818,000) and an interest receivable balance of Rmb628,000(31 December 2006– 744,000).

On 30 March 2007, the Company provided a loan amounting to Rmb1,000,000,000 to Lusigang Power Company through Datang Finance, bearing interest at basis rate minus 10% with a duration of 2 years. There are no pledges or guarantees on this loan. As at 31 December 2007, the balance was approximately Rmb901,626,000, comprising of a principal balance of Rmb900,000,000 and an interest receivable balance of Rmb1,626,000.

Based on the management's assessment, as of 31 December 2006 and 31 December 2007, the fair value of the entrusted loans approximated their carrying value and no impairment was provided as all the related subsidiaries do not have default history and no other indicators of impairment were noted.

14. Inventories

	Company and its Subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Fuel	**562,459**	391,005	**63,667**	108,006
Spare parts and consumable supplies	**488,722**	415,960	**134,148**	169,647
	1,051,181	806,965	**197,815**	277,653

As at 31 December 2007 and 2006, all inventories were carried at cost.

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

15. Short-term Entrusted Loans to Subsidiaries and Associates

	Company and its Subsidiaries As at 31 December			
	2007		2006	
	Principal and interest	Including: interest	Principal and interest	Including: interest
Entrusted loan to Tongfang Silicon and Aluminium	47,751	96	–	–

	Company As at 31 December			
	2007		2006	
	Principal and interest	Including: interest	Principal and interest	Including: interest
Entrusted loans to:				
Tuoketuo Power Company	–	–	400,636	636
Ningde Power Company	–	–	600,953	953
Lixianjiang Hydropower Company	1,002,005	2,005	–	–
Shizhu Power Company	81,563	163	–	–
Xilinhaote Mining Company	229,459	459	–	–
Hohhot Thermal Company	462,832	672	–	–
Renewable Energy Resource Development Company	40,080	80	–	–
Tongfang Silicon and Aluminium	47,751	96	–	–
Xinyu Power Company	400,802	802	–	–
	2,264,492	4,277	1,001,589	1,589

As at 31 December 2006 and 31 December 2007, all the short-term entrusted loans were due within one year and bearing interest at 5.20% and 6.56%, respectively. There are no pledges or guarantees on these loans.

As of 31 December 2006 and 31 December 2007, the fair value of short-term entrusted loans approximated to their carrying value due to the short maturity. No impairment was provided as all the related subsidiaries do not have default history and no other indicators of impairment were noted.

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

16. Prepayments and Other Receivables

Prepayments and other receivables comprised the following:

	Company and its Subsidiaries		Company	
	As at 31 December		As at 31 December	
	2007	2006	**2007**	2006
Prepayment for				
– Fuel purchase	**62,551**	332,389	**2,296**	145,150
– Construction	**661,578**	114,749	**905,339**	89,894
– Land use right	**5,000**	36,000	**–**	36,000
Deposit for investment guarantee to local government	**–**	100,000	**–**	100,000
Staff house maintenance fund deposit in local government body governing housing management	**27,726**	35,197	**26,042**	34,159
Investment in entities not yet legally registered at 31 December	**40,000**	27,950	**40,000**	–
Receivables from sale of materials	**139,711**	19,483	**13,024**	12,099
Prepaid utility and other miscellaneous expenses	**15,106**	19,707	**2,000**	15,052
Advance to employees for travelling	**15,623**	11,527	**1,868**	3,251
Others	**50,817**	22,317	**6,332**	38,141
Total	**1,018,112**	719,319	**996,901**	473,746

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

16. Prepayments and Other Receivables (Cont'd)

Prepayments and other receivables do not contain significant impaired assets. Provision for doubtful accounts are analysed as follows:

	Company and its subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Beginning and end of the year	**1,835**	1,835	**1,833**	1,833

As at 31 December 2007, other receivables of RMB7.6million (2006: RMB31.6million) were past due but not impaired. These receivables were contracts bounded with repayment terms on demand. The ageing analysis of these other receivables was as follows:

	Company and its subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Between 1 to 2 years	**7,289**	–	**–**	–
Between 2 to 3 years	**77**	31,635	**–**	–
Over 3 years	**250**	–	**–**	–
	7,616	31,635	**–**	–

As at 31 December 2007, other receivables of Rmb 1,835,000 (2006: Rmb 1,835,000) were impaired. The individually impaired receivables have been long outstanding without any repayment agreements in place or possibility of renegotiation. The ageing of these other receivables was as follows:

	Company and its subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Between 1 to 2 years	**–**	–	**–**	–
Between 2 to 3 years	**–**	–	**–**	–
Over 3 years	**1,835**	1,835	**1,833**	1,833
	1,835	1,835	**1,833**	1,833

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

17. Accounts Receivable

Accounts receivable of the Company and its Subsidiaries primarily represent receivables from the respective regional or provincial grid companies for tariff revenue. These receivables are unsecured and non-interest bearing. As at 31 December 2007 and 2006, all tariff revenue receivables from the respective grid companies were aged within three months, and no doubtful debts were considered necessary.

Accounts receivable comprised the following:

	The Company and its Subsidiaries As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
Accounts receivable	**4,945,475**	3,337,529	**1,792,788**	1,386,805
Notes receivable	**747,917**	11,132	**708,000**	–
	5,693,392	3,348,661	**2,500,788**	1,386,805
Less: provision for doubtful accounts	**–**	–	**–**	–
	5,693,392	3,348,661	**2,500,788**	1,386,805

The Company and its Subsidiaries usually grant about one month's credit period to local power grid customers from the end of the month in which the sales are made.

Ageing analysis of accounts receivable was as follows:

	The Company and its Subsidiaries As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
Within 1 year	**5,676,185**	3,347,951	**2,483,581**	1,386,115
Between 1 to 2 years	**17,207**	690	**17,207**	690
	5,693,392	3,348,641	**2,500,788**	1,386,805

Notes To The Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

17. Accounts Receivable (Cont'd)

As at 31 December 2007, there was no indication of impairment relating to accounts receivable which were not past due and no provision was made. Accounts receivable of RMB 17 million (2006: RMB 0.69 million) were past due but not impaired. This amount is mainly related to a receivable from Datang Texin, an associate of the Company, and the management believes that these receivables can be recovered in the future period. The ageing analysis of the past-due accounts receivable was as follows:

	The Company and its subsidiaries As at 31 December		The Company As at 31 December	
	2007	2006	**2007**	2006
Between 1 to 2 years	**17,207**	690	**17,207**	690
	17,207	690	**17,207**	690

18. Cash and Bank Deposits

	Company and its Subsidiaries As of 31 December		Company As of 31 December	
	2007	2006	**2007**	2006
Bank deposits	**2,989,547**	4,450,799	**1,164,647**	4,104,810
Deposits with Datang Finance	**600,296**	10	**–**	2
Cash on hand	**838**	475	**210**	175
Other monetary assets	**58,142**	–	**–**	–
Cash and cash equivalent	**3,648,823**	4,451,284	**1,164,857**	4,104,987
Short-term bank deposits with original maturity over 3 months	**49,500**	–	**–**	–
	3,698,323	4,451,284	**1,164,857**	4,104,987

The effective interest rates on the Rmb and foreign currency cash deposits ranged from 0.72% to 1.71% per annum (2006 – 0.72% to 1.44% per annum) and 1.00% to 5.05% per annum (2006 – 1.00% to 5.15% per annum), respectively. These deposits have an average maturity of 20 days (2006 – 18 days).

As of 31 December 2007, other monetary assets mainly represent deposits for bank note payables.

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

19. Share Capital

As at 31 December 2007, the authorised share capital of the Company was Rmb11,734,083,473, divided into 11,734,083,473 shares of Rmb1 each. The movement of issued and fully paid up share capital of the Company during the year is as follows:

	31 December 2006	Addition	31 December 2007		
	Number of shares	Number of shares	Number of shares	Share capital	Share interest
	'000	'000	'000	'000	%
A Shares	4,232,180	4,232,180	**8,464,360**	**8,464,360**	**72.13%**
H Shares	1,430,669	1,839,054	**3,269,723**	**3,269,723**	**27.87%**
	5,662,849	6,071,234	**11,734,083**	**11,734,083**	**100.00%**

The addition of share capital during the year ended 31 December was a result of (a) bonus issue of 10 shares for every 10 shares outstanding, as a part of the profit appropriation for year 2006 (Note 34); and (b) conversion of convertible bonds during the year.

	31 December 2005	**Addition/ (deduction)**	**31 December 2006**		
	Number of shares	**Number of shares**	**Number of shares**	**Share capital**	**Share interest**
	'000	**'000**	**'000**	**'000**	**%**
Domestic shares in form of legal person shares	3,732,180	(3,732,180)	–	–	–
A Shares	–	4,232,180	4,232,180	4,232,180	74.74%
H Shares	1,430,669	–	1,430,669	1,430,669	25.26%
	5,162,849	500,000	5,662,849	5,662,849	100.00%

On 13 December 2006, the Company issued 500,000,000 domestic shares and received a cash proceeds of Rmb3,278,824,335. On 20 December 2006, all of the Company's domestic shares were listed on the Shanghai Stock Exchange as A Shares.

As at 31 December 2007, 4,051,599,760 A Shares had certain timing restriction on their sales (31 December 2006: 4,020,180,000). The increase of the number of A Shares that had certain timing restriction was due to the impact of the bonus issue of 10 bonus shares for every 10 shares held (Note 34).

A Shares and H Shares rank pari passu with each other.

20. Reserves

(a) Capital reserve

Capital reserve mainly comprised: (i) the difference between the nominal amount of the domestic shares issued and the fair value of the net assets injected into the Company during its formation and also proceeds from the issue of H Shares and A shares in excess of their par value, net of expenses related to the issuance of the shares in 1997 and 2006, and (ii) the premium from convertible bonds converted to shares in 2007 (Note 26). This reserve is non-distributable.

(b) Statutory surplus reserve

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

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

(c) Discretionary surplus reserve

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

On 26 March 2008, the Board of Directors proposed to appropriate all the residual amount of the profit attributable to the equity holders of the Company for the year ended 31 December 2007, after the aforementioned appropriate of statutory surplus reserve and dividends, to the discretionary surplus reserve. The proposed profit appropriation is subject to the shareholders' approval in their next general meeting.

On 30 March 2007, the Board of Directors proposed an appropriation of profit of approximately Rmb 1,020,774,000 to the discretionary surplus reserve for the year ended 31 December 2006. The proposed profit appropriation was approved by the shareholders in their general meeting dated on 29 June 2007.

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

20. Reserves (Cont'd)

(d) Restricted reserve

Pursuant to documents Cai Qi [2000] 295, Cai Qi [2000] 878 and Cai Kuai [2001] 5 issued by Ministry of Finance ("MOF"), deferred housing benefits that were approved by the government, before the effective date of Cai Qi [2005] 295, i.e. 6 September 2000, should be directly deducted from shareholders' equity starting from 2001. Accordingly, approximately Rmb258,881,000 which represented the deferred housing benefits balance in relation to staff quarters sold and approved by the government before September 2000 has been directly deducted from the statutory public welfare fund under PRC accounting standards and regulations ("PRC GAAP"). Consequent to the monetary housing benefit scheme implemented by the Company and its Subsidiaries, payments which represented the monetary subsidies paid to the employees who started work before 31 December 1998, amounting to Rmb43,875,000 in 2007 (2006: Rmb180,120,000), have been directly deducted from retained earnings and the statutory surplus reserve under PRC GAAP.

For financial statements prepared in accordance with IFRS, deferred housing benefits are amortised over the estimated average service lives of the relevant employees (Note 11). To reflect the reduction of the retained earnings and statutory surplus reserve an amount equivalent to the corresponding deferred housing benefits balance was transferred from retained earnings and statutory surplus reserve to a restricted reserve specifically set up for this purpose. Upon amortisation of the deferred housing benefits, an amount equivalent to the amortisation for the period is transferred from the restricted reserve to retained earnings. For the year ended 31 December 2007, no amount had been transferred from statutory surplus reserve to restricted reserve (2006 – approximately Rmb37,435,000 had been transferred from statutory surplus reserve to restricted reserve) and approximately Rmb56,619,000 had been transferred from retained earnings to restricted reserve (2006 – approximately Rmb26,409,000 had been transferred from restricted reserve to retained earnings).

(e) Other reserve

Other reserve comprised the value of the equity component of the convertible bonds issued on 9 September 2003 (Note 26) and the variance in the fair value of the available-for-sale investment in Daqin Railway (Note 9), net of deferred income tax.

The value of the equity component was determined on the issue of the bonds and does not change in subsequent periods until the conversion of the bonds. The fair value of investment in Daqin Railway is determined based on the quoted market price of its A Share on the last trading date of 2007.

20. Reserves (Cont'd)

(f) Basis for profit appropriations

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

In addition, in accordance with the Company's articles of association, the Company declares dividends based on the lower of retained earnings as reported in accordance with PRC GAAP and those reported in accordance with IFRS after deducting current year's appropriations to other reserves. As at 31 December 2007, the amount of retained earnings as determined under IFRS was less than that determined under PRC GAAP by approximately Rmb61 million (As at 31 December 2006, the amount of retained earnings as determined under IFRS was more than that determined under PRC GAAP by approximately Rmb185 million).

The profit attributable to shareholders for the year ended 31 December 2007 includes a profit of approximately Rmb3,003,356,000 (2006 – Rmb2,456,206,000) that has been dealt with in the accounts of the Company.

(g) Due to the implementation of new China Accounting Standards since 1 January 2007, retrospective adjustments have been made to the Company and its Subsidiaries financial statements prepared under new China Accounting Standards according to the related transitional provisions, including the consequent adjustments to the opening balance of of statutory surplus reserve.

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

21. Long-term Loans

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

	Company and its Subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Long-term bank loans (a)	**46,785,887**	41,490,805	**4,292,700**	8,000,000
Other long-term loans (b)	**1,544,557**	1,725,580	**–**	–
Entrusted loan (c)	**130,000**	–	**–**	–
	48,460,444	43,216,385	**4,292,700**	8,000,000
Less: Amounts due within one year included under current liabilities	**(4,187,569)**	(2,942,804)	**(500,000)**	–
	44,272,875	40,273,581	**3,792,700**	8,000,000

(a) Long-term bank loans

As at 31 December 2007, approximately Rmb888 million (31 December 2006 – Rmb1,324 million) and Rmb45,898 million (31 December 2006 – Rmb40,167 million) of the long-term bank loans were denominated in USD and Rmb, respectively. Except for approximately Rmb22,189 million (31 December 2006 – Rmb17,492 million) long-term bank loans pledged by right of collection of tariff, all long-term bank loans were unsecured and bore interest at variable rates ranging from 3.60% to 7.41% (2006 – 3.60% to 6.39%) per annum, except for an USD denominated long-term loan amounted to Rmb767 million (31 December 2006 – Rmb1,148 million) bore a fixed interest rate of 4.14% per annum (31 December 2006 – 4.14%). Approximately Rmb1,561 million (31 December 2006 – Rmb2,830 million) of the loans of the subsidiaries were guaranteed by the minority shareholders according to their shareholding percentage in the subsidiaries.

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

21. Long-term Loans (Cont'd)

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

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

	Company and its Subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	2007	2006
Amounts repayable				
Within one year	3,947,979	2,842,149	500,000	–
Between one and two years	4,281,422	3,406,069	–	645,000
Between two and five years	11,143,321	13,291,658	–	1,690,000
Over five years	27,413,165	21,950,929	3,792,700	5,665,000
	46,785,887	41,490,805	4,292,700	8,000,000

(b) Other long-term loans

As at 31 December 2007, approximately Rmb1,341million (31 December 2006 – Rmb1,536 million) of other long-term loans were borrowed by the Ministry of Finance ("MOF") from International Bank for Reconstruction and Development ("World Bank") and on-lent to the Company's subsidiary, Tuoketuo Power Company, for the construction of electricity utility plant. The other Rmb204 million (31 December 2006 – Rmb190 million) of other long-term loans were borrowed from Datang Finance and on-lent to the Company's subsidiary, Lusigang Power Company, for the construction of electricity utility plants. The maturity of these loans is as follows:

	Company and its Subsidiaries As at 31 December	
	2007	2006
Amounts repayable		
Within one year	109,590	100,655
Between one and two years	315,552	303,913
Between two and five years	377,794	366,355
Over five years	741,621	954,657
	1,544,557	1,725,580

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

21. Long-term Loans (Cont'd)

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

As at 31 December 2007, approximately Rmb1,341 million (31 December 2006 – Rmb1,536 million) of other long-term loans were denominated in USD and the rest of other long-term loans were all denominated in Rmb.

The USD denominated other long-term loans bore interest at the rate of LIBOR Base Rate plus LIBOR Total Spread as defined in the loan agreement between MOF and World Bank, which approximated 5.52% to 5.75% per annum during the year ended 31 December 2007 (2006 – 3.99% to 5.75% per annum). In accordance with a guarantee agreement between North China Grid Company ("NCG") and MOF, NCG agreed to guarantee 60% of the loan balances borrowed from World Bank (Note 32(ii)(I)). As at 31 December 2007, approximately Rmb805 million (31 December 2006 – Rmb922million) of the loans were guaranteed by NCG, while the Company provided a counter-guarantee to NCG in respect of this same amount. According to the agreement entered into between NCG and China Datang in 2004, China Datang guarantees the loans in place of NCG.

As of 31 December 2007, the Rmb denominated other long-term loans bore interest at variable rates ranging from 5.67% to 5.91% (31 December 2006 – 5.67%) .

(c) Entrusted loan

As at 31 December 2007, entrusted loan represented a loan borrowed by Hohhot Thermal Company from Tuketuo Guoneng Investment Company Limited through Bank of Communication Beijing Branch, bearing interest at 5.76% per annum, with an duration of 2 years and expires on 28 March 2008. This loan has no pledges or guarantees.

22. Short-term Loans

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

	Company and its Subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Short-term bank loans	**20,630,029**	8,489,296	**4,800,000**	2,100,000
Other short-term loan	**1,978,501**	811,200	**–**	–
	22,608,530	9,300,496	**4,800,000**	2,100,000

22. Short-term Loans (Cont'd)

As at 31 December 2007, approximately Rmb22 million (31 December 2006 – Nil) and Rmb20,608 million (31 December 2006 – Rmb8,489 million) of the short-term bank loans were denominated in USD and Rmb, respectively. All short-term bank loans were unsecured and bore interest at variable rates ranging from 4.96% to 7.29% (2006 – 4.70% to 5.67%) per annum. Approximately Rmb295 million (31 December 2006 – Rmb178 million) of short-term bank loans were guaranteed by the minority shareholders according to their shareholding percentage in the subsidiaries.

As at 31 December 2007, other short-term loans represented short-term loans from non-bank financial institutions including Datang Finance, Huazhong Power Finance Co.,Ltd ("Huazhong Power Finance"), Dayawan Nuclear Power Finance Company and Tianjin Jinneng Investment Company ("Tianjin Jinneng"), amounting to Rmb1,926,500,000, Rmb30,000,000, Rmb 22,001,000 and nil, respectively (31 December 2007:Rmb761,200,000, nil, nil, Rmb 50,000,000, respectively). Except loan from Huazhong Power Finance was guaranteed by Jiangxi Province Investment Group(Note 37(2)) and bore interest rate at 7.29%, all other short-term loans were unsecured and bore interest at variable rates ranging from 5.51% to 6.72% (2006 – 4.86% to 5.51%) per annum with no pledges or guarantees. From January 2008,The company will guarantee the loan borrowed from Huazhong Power Finance in place of Jiangxi ProvinceInvestment Group.

23. Deferred Income

The Company and its Subsidiaries received government grants from local environmental protection authorities for undertaking approved environmental protection projects. Amortisation of deferred income for the year amounted to Rmb8,502,329(2006: Rmb497,144).

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

24. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities and their ageing are detailed as follows:

As at 31 December 2007	Company and its Subsidiaries					Company				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Construction costs and deposits payable to contractors	5,344,655	820,313	110,110	75,367	6,350,445	1,657,447	214,799	26,888	787	1,899,921
Fuel and material costs payable	2,866,625	87,274	26,352	2,880	2,983,131	577,824	9,910	24,012	1,507	613,253
Salary and welfare payable	337,995	–	–	–	337,995	163,049	–	–	–	163,049
Interest rate swap liability	51,970	–	–	–	51,970	–	–	–	–	–
Interest payable	247,128	–	–	–	247,128	77,623	–	–	–	77,623
Assets acquisition payable	361,184	–	–	–	361,184	243,126	–	–	–	243,126
Others	408,218	2,774	428	417	411,837	110,642	1,311	125	–	112,078
	9,617,775	910,361	136,890	78,664	10,743,690	2,829,711	226,020	51,025	2,294	3,109,050

As at 31 December 2006	Company and its Subsidiaries					Company				
	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
Construction costs and deposits payable to contractors	4,712,175	486,267	116,490	78,257	5,393,189	1,062,365	37,926	1,071	7,665	1,109,027
Fuel and material costs payable	1,488,542	10,760	1,499	–	1,500,801	574,247	2,950	1,495	–	578,692
Salary and welfare payable	147,078	–	–	–	147,078	88,846	–	–	–	88,846
Interest rate swap liability	12,766	–	–	–	12,766	–	–	–	–	–
Interest payable	137,480	–	–	–	137,480	27,957	–	–	–	27,957
Assets acquisition payable	50,546	–	–	–	50,546	–	–	–	–	–
Others	300,985	56,780	24,015	24,809	406,589	162,786	42,264	23,593	14,446	243,089
	6,849,572	553,807	142,004	103,066	7,648,449	1,916,201	83,140	26,159	22,111	2,047,611

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

24. Accounts Payable and Accrued Liabilities (Cont'd)

As at 31 December 2007, other than certain deposits for construction which were aged over 1 year, substantially all accounts payable were aged within one year.

As at 31 December 2007, the notional principal amount of the outstanding interest rate swap contract of Tuoketuo Power Company was USD186,955,486 (31 December 2006 – USD200,615,486), and the fixed rate and floating rate were 5.15% (31 December 2006 – 5.15%) and 5.39% (31 December 2005 – 5.61%) (LIBOR offered by British Bankers' Association on 12 July 2007), respectively. This swap contract expires in January 2012.

25. Short-term Bonds

	Company and its Subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Short-term bonds	**3,000,000**	1,000,000	**3,000,000**	1,000,000

As at 31 December 2007, short-term bonds represented bonds issued by the Company on 7 June 2007 at par value with an interest rate at 3.48% per annum and a duration within one year.

As at 31 December 2006, short-term bonds represented bonds issued by the Company on 15 September 2006 at par value with an interest rate at 3.59% per annum and a duration of 270 days.

There are no pledges or guarantees on the bonds.

26. Current Portion of Long-term Loans and Bonds

	Company and its Subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Long-term loans due within one year *(Note 21)*	**4,187,569**	2,942,804	**500,000**	–
Convertible bonds due within one year*	**108,499**	–	**108,499**	–
	4,296,068	2,942,804	**608,499**	–

* Convertible bonds due within one year

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

26. Current Portion of Long-term Loans and Bonds (Cont'd)

On 9 September 2003, the Company issued USD153,800,000, 0.75% convertible bond at a nominal value of USD153,800,000. The bonds will mature in 5 years from the issue date at their nominal value of USD153,800,000 unless converted into the Company's ordinary shares at the holder's option at the announced conversion price, which initially was HKD5.558 per share. On 18 July 2007, the Company adjusted the conversion price to HKD2.6 per share. The conversion price is subject to adjustment in certain circumstances with a fixed rate of exchange applicable on conversion of the convertible bonds of HKD7.799 per USD1.

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

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

The movement of the liability component of the convertible bonds is as follows:

	Company and its Subsidiaries/ Company	
	2007	2006
Liability component at beginning of the year	**1,111,810**	1,098,758
Convert into ordinary share	**(1,000,076)**	–
Interest expense	**21,321**	57,649
Interest payments	**(3,511)**	(9,233)
Exchange rate adjustment	**(21,045)**	(35,364)
Liability component at end of the year	**108,499**	1,111,810
Less: Amounts due within one year included under current liabilities	**(108,499)**	–
	–	1,111,810

The carrying amount of the liability component as at 31 December 2007 of the convertible bonds approximated its fair value.

26. Current Portion of Long-term Loans and Bonds (Cont'd)

Interest expense on the bonds is calculated on the effective yield basis of 5.51% (2006 – 5.51%) per annum by applying the effective interest rate for an equivalent non-convertible bonds to the liability component of the convertible bond after considering the effect of issuance cost.

27. Employee Benefits

Retirement benefits

The Company and its Subsidiaries are required to make specific contributions to the state-sponsored retirement plan at a rate of 20% (2006 – 18% to 20%) of the specified salaries of the PRC employees. The PRC government is responsible for the pension liability to the retired employees. The employees of the Company and its Subsidiaries are entitled to a monthly pension upon their retirements.

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

The total retirement cost incurred by the Company and its Subsidiaries during the year ended 31 December 2007 pursuant to these arrangements amounted to approximately Rmb172,678,000 (2006 – Rmb109,371,000).

Housing benefits

Apart from the housing benefits and monetary subsidies (Note 11), in accordance with the PRC housing reform regulations, the Company and its Subsidiaries are required to make contributions to the state-sponsored housing fund at rate 10% to 20% (2006 – 10% to 20%) of the specified salary amounts of the PRC employees. At the same time, the employees are required to make a contribution equal to the Company and its Subsidiaries' contributions out of their salaries. The employees are entitled to claim the entire sum of the fund under certain specified withdrawal circumstances. The Company and its Subsidiaries have no further obligations for housing benefits beyond the above contributions made. For the year ended 31 December 2007, the Company and its Subsidiaries provided approximately Rmb120,754,000 (2006 – Rmb87,610,000) to the fund.

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

28. Operating Revenue and Segment Information

The Company and it Subsidiaries primarily conduct their business within one business segment – the business of power generation in the PRC. Pursuant to the Power Purchase Agreements entered into between the Company and its Subsidiaries and State Grid Corporation of China ("SGCC") and the regional or provincial grid companies, the Company and its Subsidiaries are required to sell their entire net generation of electricity to these grid companies at an approved tariff rate. For the years ended 31 December 2007 and 2006, all of the electricity generated by the Company and its Subsidiaries was sold to SGCC and regional or provincial grid companies. As power generation by the Company and its Subsidiaries are subject to similar business risks, no segment information has been prepared for the year end 31 December 2006 and 2007. The Company and its Subsidiaries also operate within one geographical segment in the PRC. Accordingly, no geographical segment data is presented.

	2007	2006
Sales of electricity	32,483,179	24,685,461
Heat supply	145,452	122,491
Sales of coal	95,985	–
Transportation service fees	27,227	27,266
Sales of material	7,848	48,879
Others	69,614	14,523
	32,829,305	24,898,620

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

29. Operating Profit

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

	2007	2006
Loss on disposals of property, plant and equipment	60,646	1,269
Personnel expenses		
– Wages	1,134,620	796,662
– Retirement benefits	158,510	105,808
– Staff housing benefits	196,751	151,606
– Other staff costs	150,167	182,404
Depreciation	4,960,391	4,126,842
– Capitalised as construction-in-progress	30,254	17,571
– Included as operating expenses	4,930,137	4,109,271
Auditors' remuneration	11,860	13,044
Cost of inventories		
– Fuel	15,262,965	10,663,815
– Spare parts and consumable supplies	316,388	164,827
Operating lease		
– Buildings	8,888	13,516
Dividend income	(51,899)	(28,091)
– From listed investments	(50,229)	(27,927)
– From unlisted investments	(1,670)	(164)
Donation	4,481	73,702

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

30. Finance Costs

	2007	2006
Interest expense on:		
Short-term bank loans	708,172	363,961
Other short-term loans	37,074	44,892
Long-term bank loans		
– wholly repayable within five years	1,847,700	173,200
– repayable beyond five years	881,319	1,784,640
Other long-term loans		
– wholly repayable within five years	121,333	5,122
– repayable beyond five years	7,210	84,512
Convertible bonds	21,321	57,649
Short-term bonds	67,846	10,471
Discount interest of notes payable	43,038	3,518
	3,735,013	2,527,965
Less: amount capitalised in property, plant and equipment	(1,522,434)	(1,014,377)
	2,212,579	1,513,588
Exchange gain, net	(188,093)	(144,489)
Fair value loss/(gain) on an interest rate swap *	36,018	(23,647)
Other	19,614	13,261
	2,080,118	1,358,713

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

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

31. Taxation

	2007	2006
Current income tax	**1,509,719**	1,119,547
Deferred income tax	**(63,276)**	(38,291)
Tax charge	**1,446,443**	1,081,256

The statutory income tax is assessed on an individual entity basis, based on each of results of operations of the Company and its Subsidiaries. The commencement dates of the tax holiday period of each power plant is individually determined. The income tax charges are based on assessable profit for the year and after considering deferred taxation.

The applicable EIT tax rates of the group companies during the 2007 and 2006 are detailed as follows:

	Note	2007	2006
Tuoketuo Power Company	(a), (b)	**7.5%**	7.5%
Liancheng Power Company	(a), (b)	**7.5%**	–
Honghe Power Company	(a), (b)	**–**	–
Lixianjiang Hydropower Company	(a), (b)	**–**	15%
Nanlan Hydropower Company	(a), (b)	**–**	–
Fuel Company	(c)	**–**	33%
Chemical Technology Research Institute	(d)	**–**	15%
Datang Hong Kong	(e)	**17.5%**	17.5%
Other group companies		**33%**	33%

(a) Pursuant to document Guo Ban Fa [2001] 73 issued by State Council of PRC and document Cai Shui [2001] 202 issued by the State Administration of Taxation of PRC, Tuoketuo Power Company, Liancheng Power Company, Honghe Power Company, Lixianjiang Hydropower Company and Nalan Hydropower Company, being enterprises set up in the western area of the PRC and engaged in a business encouraged by the government, have been granted a tax concession to pay PRC income tax at a preferential rate of 15% from 2001 to 2010.

(b) As newly set up domestic invested enterprises engaged in power generation in the western area of the PRC, Tuoketuo Power Company, Liancheng Power Company, Honghe Power Company, Lixianjiang Hydropower Company and Nalan Hydropower Company are exempted from PRC enterprise income tax during the first and second years of operation and have been granted a tax concession to pay PRC enterprise income tax at 50% of the preferential rate from the third to fifth year of operation.

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

31. Taxation (Cont'd)

(c) Pursuant to document Cai Shui Zi [1994] 001 issued by MOF and as approved by State Tax Bureau of Beijing Xicheng District, as a newly set up commercial enterprise, Fuel Company is exempted from PRC enterprise income tax in the first operating year.

(d) Pursuant to document Cai Shui Zi [2006] 88 issued by MOF, Chemical Technology Research Institute, being a high and new technology industrial development enterprise set up in the high and new technology industrial development zone approved by the State Council, and as approved by Tax Bureau of Beijing Fengtai District, is exempted from PRC income tax in the first two operating years and then applies 15% being the preferential rate from the third year, counting from the first year when this Company starts to make profit.

(e) Datang Hong Kong, as a company registered in Hong Kong, is subject to local income tax levied at 17.5%(2006: 17.5%).

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

	2007	2006
Profit before taxation	5,836,541	4,663,609
Tax computed at the statutory tax rate of 33%	1,926,059	1,538,991
Tax effect of additionally deductible items and non deductible items, net	37,116	(13,536)
The new income tax law impact on the deferred income tax balance	14,591	–
Preferential tax rate impact on the income of subsidiaries	(531,323)	(444,199)
Tax charge	1,446,443	1,081,256

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

31. Taxation (Cont'd)

(g) The movement of deferred income tax assets during the year is as follows:

Company and its Subsidiaries

	2007								2006
	Preliminary expenses	Depreciation	Fair value of an interest rate swap	Deductible losses accumulated	Government Grant	Gain form transaction with subsidiary	Others	Total	Total
Beginning of year	34,448	35,135	19,365	54,021	–	–	–	142,969	119,303
Reclassification	10,212	–	–	(10,212)	–	–	–	–	–
Charged/(Credited) to income statement	2,278	(3,538)	2,169	(43,809)	17,269	37,218	2,236	13,823	23,666
End of year	46,938	31,597	21,534	–	17,269	37,218	2,236	156,792	142,969

Company

	2007	2006
	Government grant	Total
Beginning of year	–	19,604
Charged/(Credited) to income statement	14,613	(19,604)
End of year	14,613	–

Notes To The Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

31. Taxation (Cont'd)

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

Company and its Subsidiaries

	2007										2006
	Deferred housing benefits	Capitalised borrowing costs	Convertible bond	Fair value gain in equity	Safty fund	Future development fund	Depreciation	Assets appraisal surplus	others	Total	Total
Beginning of year	3,497	104,102	30,274	283,809	–	–	–	–	–	421,682	152,498
Acquisition	–	–	–	–	2,436	4,484	20,966	100,353	–	128,239	–
Credited/(Charged) to income statement	6,159	(48,905)	(6,371)	–	(1,159)	(2,085)	4,620	(1,848)	136	(49,453)	(14,625)
Charged to equity	–	–	(23,052)	664,537	–	–	–	–	–	641,485	283,809
End of year	9,656	55,197	851	948,346	1,277	2,399	25,586	98,505	136	1,141,953	421,682

Company

	2007					2006
	Deferred housing benefits	Capitalised borrowing costs	Convertible bond	Fair value gain in equity	Total	Total
Beginning of year	3,975	73,047	30,274	283,809	391,105	118,313
Credited/(Charged) to income statement	(2,607)	(37,774)	(6,371)	–	(46,752)	(11,017)
Credited/(Charged) to equity	–	–	(23,052)	664,537	641,485	283,809
End of year	1,368	35,273	851	948,346	985,838	391,105

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

31. Taxation (Cont'd)

(h) (Cont'd)

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

	Company and its Subsidiaries	
	2007	2006
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**138,207**	85,550
– Deferred income tax assets to be recovered within 12 months	**18,585**	57,419
	156,792	142,969
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**1,132,443**	400,654
– Deferred income tax liabilities to be settled within 12 months	**9,510**	21,028
	1,141,953	421,682

The amounts of deferred income tax assets and deferred income tax liabilities shown in the company balance sheets include the following:

	Company	
	2007	2006
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**14,613**	–
	14,613	–
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**983,618**	370,965
– Deferred income tax liabilities to be settled within 12 months	**2,220**	20,140
	985,838	391,105

32. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, control the other party or exercise significant influence over the other party in making financial and operation decisions. Parties are also considered to be related if they are subject to common control. Members of key management of the Company and its Subsidiaries are also considered as related parties.

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

Names of related parties	Nature of relationship
Related parties in which the Company has no equity interest:	
China Datang	Substantial Shareholder
Tianjin Jinneng	Shareholder
Beijing Energy Investment Company	Shareholder
Hebei Construction Investment Company	Shareholder
Datang Gansu Power Generation Co., Ltd. Liancheng Power Plant ("Datang Gansu Liancheng Power")	Subsidiary of the Substantial Shareholder
Datang Gansu Power Generation Co., Ltd. Gangu Power Plant ("Datang Gansu Gangu Power")	Subsidiary of the Substantial Shareholder
China National Water Resources and Electric Power Materials and equipment Co., Ltd. ("China Water Resources and Power")	Subsidiary of the Substantial Shareholder
China Datang Technologies and Engineering Co., Ltd. ("Datang Technologies")	Subsidiary of the Substantial Shareholder
Hunan Datang Enertek Technology Co., Ltd. ("Datang Enertek")	Subsidiary of the Substantial Shareholder
Other State-owned Enterprises	Related parties of the Company
Related parties in which the Company has equity interest:	
NCEPR	Associate
Datang Texin	Associate
Daba Power Company	Associate
Tashan Coal Mine	Associate
Tashan Power Company	Associate
Datang Finance	Associate
Tongfang Silicon and Aluminium	Associate

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

32. Related Party Transactions (Cont'd)

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

	Note	2007	2006
Ash disposal fee to China Datang	(a)	57,892	57,892
Rental fee to China Datang	(b)	7,228	7,228
Technical supervision, assistance and testing service fee to NCEPR	(c)	45,734	53,626
Heat revenue from Datang Texin	(d)	56,243	43,767
Fuel management fee to China Datang	(e)	11,190	5,151
Interest expense to Datang Finance	(f)	115,376	49,915
Interest expense to Tianjin Jinneng	(g)	5,348	99
Rental fee to Datang Gansu Liancheng Power	(h)	15,000	15,000
Substitute power generation revenue from Datang Gansu Liancheng Power	(i)	20,160	–
Purchase of materials from Datang Gansu Liancheng Power		11,300	3,098
Purchase of power generation quota from Datang Gansu Gangu Power	(j)	26,011	–
Purchase of equipment from Datang Technologies		28,501	71,688
Sales of pipeline to China Water Resources and Power		12,736	–
Commission for equipment purchase from China Water Resources and Power		7,436	8,479
Purchase of equipment from Datang Enertek		1,730	1,026
Interest income from Tongfang Silicon and Aluminium		153	–
Interest income from Datang Finance	(k)	400	31

32. Related Party Transactions (Cont'd)

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

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

(b) The Company has leased buildings of 141,671 (2006 – 141,671) square metres from China Datang for an annual rental rate of approximately Rmb7 million in 2007 (2006 – Rmb7 million).

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

(d) Part of the Company's sales of heat for the year was made to Datang Texin. As at 31 December 2007, the balance due from Datang Texin amounted to Rmb 91,011,000 (31 December 2006 – Rmb44,456,000), which was unsecured, non-interest bearing and included in accounts receivable.

(e) During 2007 and 2006, China Datang provided fuel management and developing services to the Company. These services were charged at Rmb0.30 (2006 – Rmb0.30) per ton of coal purchased. As at 31 December 2007, the balance due to China Datang amounted to Rmb 6,471,000 (31 December 2006 – Rmb3,134,000).

(f) As discussed in Note 21(b) and 22, as at 31 December 2007, the Company and its Subsidiaries had a loan payable to Datang Finance totalling approximately Rmb2,130 million (31 December 2006 – Rmb951 million).

(g) As discussed in Note 22, in 2006, Tianjin Jinneng provided loan to Shentou Power Company, the Company's subsidiary, through Shenzhen Development Bank Tianjin Beichen Branch.

(h) In 2007, Liancheng Power Company leased public facilities from Datang Gansu Power for an annual rental rate of approximately Rmb15 million in 2007(2006 – 15 million).As at 31 December 2007 and 2006, there is no such payable to Datang Gansu Liancheng Power.

Notes To The Financial Statements

32. Related Party Transactions (Cont'd)

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

(i) In 2007, Liancheng Power Company obtained substitute power generation revenue from Datang Gansu Power. As at 31 December 2007, the balance due from China Datang Gansu Liancheng Power amounted to Rmb 2,961,000(31 December 2006 – nil).

(j) In 2007, The Company and its Subsidiaries purchased certain amount of power generation quota from Datang Gansu Gangu Power based on the price approved by Gansu Provincial Grid Company.

(k) As at 31 December 2007, the deposits of the Company and its Subsidiaries in Datang Finance amounted to Rmb600,296,000 (31 December 2006 – Rmb10,000), with interest rate of 0.72% to1.71% per annum (31 December 2006 – 0.72%). For the year ended 31 December 2007, interest income from Datang Finance amounted to approximately Rmb 400,000 (year ended 31 December 2006-Rmb 31,000)

(l) As discussed in Note 21 (b) above, NCG had provided guarantees to the Company and its Subsidiaries' loans totalling approximately Rmb 805 million as at 31 December 2007 (31 December 2006 – Rmb922 million). Pursuant to the Entities Transfer Agreement, China Datang will assume all of NCG's obligations in relation to the guarantees provided for by the Company and its Subsidiaries.

(m) As at 31 December 2007, the Company had provided guarantees for loans to its associates, Datang Texin, Tashan Coal Mine and Tashan Power Gereration according to the Company's shareholding percentage in its associates totalling approximately Rmb862 million (31 December 2006 – Rmb1,085 million).

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

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

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

32. Related Party Transactions (Cont'd)

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

	2007	2006
Transactions with other state-controlled entities		
Sales of electricity	32,483,179	24,685,461
Sales of heat	145,452	122,491
Interest income from state-owned banks/non-bank financial institution	68,022	24,674
Interest expense on loans borrowed from state-owned banks/non-bank financial institution	3,638,644	2,321,801
Purchases of property, plant and equipment (including construction-in-progress)	13,458,609	23,452,082
Purchases of fuel	13,931,157	8,906,505
Purchases of spare parts and consumable supplies	282,477	209,587
Drawdown of short-term loans from state-owned banks/non-bank financial institution	37,863,609	16,909,037
Repayments of short-term loans from state-owned banks/non-bank financial institution	22,855,496	13,592,821
Drawdown of long-term loans borrowed from state-owned banks/non-bank financial institution	13,182,148	17,174,776
Repayments of long-term loans borrowed from state-owned banks/non-bank financial institution	9,103,156	7,828,064
Other charges		
– Repairs and maintenance services	141,517	285,731
– Transportation expenses	74,751	46,274

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

32. Related Party Transactions (Cont'd)

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

Assets and liabilities with other state-controlled entities	2007 Company and its Subsidiaries	2007 Company	2006 Company and its Subsidiaries	2006 Company
Short-term bank deposits and cash at bank in state-owned banks/non-bank financial institution	3,698,323	1,164,857	4,450,799	4,104,810
Prepayments for purchase of property, plant and equipment	3,431,348	2,124,131	1,239,915	1,031,587
Accounts payable for purchase of fuel	655,288	94,403	635,286	296,849
Accounts payable for purchase of spare parts and consumable supplies	115,014	13,179	94,968	19,897
Accounts payable for purchase of property, plant and equipment	2,220,440	589,678	510,033	68,823
Balance of short-term loans and bonds borrowed from state-owned banks/non-bank financial institution	25,608,530	7,800,000	9,250,496	2,100,000
Balance of long-term loans borrowed from state-owned banks/non-bank financial institution (including current portion)	47,119,387	4,292,700	41,680,305	8,000,000

	2007	2006
Guaranteed loans		
Loans guaranteed by		
– NCG	804,634	921,648
– Other state-controlled entities	1,856,578	3,008,081

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

32. Related Party Transactions (Cont'd)

(iii) Key management compensation

	2007	2006
Basic salaries and allowances	854	693
Bonus	1,853	1,834
Retirement benefits	166	215
Other benefits	1,849	1,232

33. Emoluments of Directors, Supervisors and Senior Managements

(a) Details of directors' and supervisors' emoluments

The remuneration of every director and supervisor for the year ended 31 December 2007 is set out below:

Directors and supervisors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits	Others	Total
Directors:						
Zhai Ruoyu	–	–	–	–	–	–
Zhang Yi	–	173	246	28	407	854
Yang Hongming*	–	106	284	26	382	798
Hu Shengmu	–	–	–	–	–	–
Fang Qinghai	–	–	–	–	–	–
Zhou Gang*	–	78	92	5	47	222
Liu Haixia	–	–	–	–	–	–
Guan Tiangang	–	–	–	–	–	–
Su Tiegang	–	–	–	–	–	–
Ye Yonghui	–	–	–	–	–	–
Li Gengsheng	–	–	–	–	–	–
Xie Songlin	72	–	–	–	–	72
Yu Changchun	72	–	–	–	–	72
Liu Chaoan	72	–	–	–	–	72
Xia Qing	72	–	–	–	–	72
Subtotal	288	357	622	59	836	2,162
Supervisors:						
Zhang Jie	–	106	284	26	278	694
Zhang Wantuo	–	–	–	–	–	
Fu Guoqiang	–	–	–	–	–	–
Shi Xiaofan	–	103	261	26	328	718
Subtotal	–	209	545	52	606	1,412
Total	288	566	1,167	111	1,442	3,574

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

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

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

The remuneration of every Director and Supervisor for the year ended 31 December 2006 is set out below:

Directors and Supervisors	Fees	Basic Salaries and Allowances	Bonus	Retirement benefits	Others	Total
Directors:						
Zhai Ruoyu	–	–	–	–	–	–
Zhang Yi	–	173	384	46	348	951
Yang Hongming	–	158	367	43	313	881
Hu Shengmu	–	–	–	–	–	–
Fang Qinghai	–	–	–	–	–	–
Liu Hiaxia	–	–	–	–	–	–
Guan Tiangang	–	–	–	–	–	–
Su Tiegang	–	–	–	–	–	–
Ye Yonghui	–	–	–	–	–	–
Tong Yunshang	–	–	–	–	–	–
Xie Songlin	72	–	–	–	–	72
Xu Daping	72	–	–	–	–	72
Yu Changchun	72	–	–	–	–	72
Liu Chaoan	72	–	–	–	–	72
Xia Qing	72	–	–	–	–	72
Subtotal	360	331	751	89	661	2,192
Supervisors:						
Zhang Jie	–	158	367	43	208	776
Zhang Wantuo	–	–	–	–	–	–
Fu Guoqiang	–	–	–	–	–	–
Shi Xiaofan	–	155	342	42	263	802
Subtotal	–	313	709	85	471	1,578
Total	360	644	1,460	174	1,132	3,770

* Mr. Zhou Gang became a member of sixth session of the Board while Mr. Yang Hongming ceased to be the director of the Company since July, 2007.

There is no special bonus for directors and supervisors for the year ended 31 December 2007 (year ended 31 December 2006 – Nil).

No director or supervisor had waived or agreed to waive any emoluments for the year ended 31 December 2007 (year ended 31 December 2006 – Nil).

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

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

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

The five individuals whose emoluments were the highest for the year include one (2006: two) director. The emoluments of the five individuals whose emoluments were the highest are as followings:

	2007	2006
Basic salaries and allowances	593	802
Bonus	1,359	1,827
Retirement benefits	132	216
Other benefits	1,703	1,370

For the years ended 31 December 2007 and 2006, no emoluments were paid to directors, supervisors or the five highest paid individuals as an inducement to join or upon joining the Company or as compensation for loss of office.

For the years ended 31 December 2007 and 2006, the annual emoluments paid to each of the directors, supervisors and the five highest paid individual did not exceed HKD1,000,000.

34. Dividends

On 26 March 2008, the Board of Directors proposed a dividend per share of Rmb0.12 Based on the total number of shares as at 31 December 2007, the proposed dividends approximate Rmb1,408,090,000.

In the general meeting held on 29 June 2007, the shareholders approved a cash dividend amounting to Rmb1,348,714,000 in respect of the year ended 31 December 2006. In addition, the shareholders also approved a bonus issue of 10 shares for every 10 shares outstanding by way of capitalisation of capital reserve fund.

On 23 July 2007, the Company announced the payment of final cash dividends of Rmb1,348,714,000 and a bonus issue of 10 shares for every 10 shares outstanding, with reference to the total 5,844,880,580 outstanding ordinary shares as at 18 July 2007. The cash dividend per share is Rmb0.23075 and the ordinary shares in issue is to be increased by 5,844,880,580 shares. The increase in the number of ordinary shares will result in an increase in share capital of the Company by Rmb5,844,880,580 with a corresponding amount of reduction in capital reserve.

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

35. Earnings per Share

The calculation of basic earnings per share for the year ended 31 December 2007 was based on the profit attributable to equity holders of the Company of approximately Rmb3,406,233,000 (2006-Rmb2,777,781,000) and on the weighted average number of 11,612,449,000 shares (2006-10,375,014,000 shares, taken into consider of the bonus issue of to bonus shares for every 10 shares held (Note 34)) in issue during the year.

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

	2007	2006
Profit attributable to equity holders of Company	**3,406,233**	2,777,781
Interest expense on convertible bonds (net of tax)	**3,915**	38,625
Profit used to determine diluted earnings per share	**3,410,148**	2,816,406
Weighted average number of ordinary shares in issue (shares in thousand) *(Note (a))*	**11,612,449**	10,375,014
Adjustments for assumed conversion of convertible debt (shares in thousand) *(Note (a) (b))*	**45,087**	444,254
Weighted average number of ordinary shares for diluted earnings per share (shares in thousand)	**11,657,536**	10,819,268
Diluted earnings per share (Rmb)	**0.29**	0.26

Note:

(a) The number of shares of 2006 included the impact of the bonus issue of 10 bonus shares for every 10 share held, which was implemented in 2007 (Note 34).

(b) As at 31 December 2007, the conversion price was HKD2.6 per share (31 December 2006– HKD5.4 per share).

Notes To The Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

36. Notes to Statement of Cash Flows

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

	Note	2007	2001
Profit before taxation		**5,836,541**	4,663,609
Adjustments for:			
Depreciation of property, plant and equipment		**4,930,137**	4,109,271
Amortisation of land use right and intangible assets		**29,508**	15,286
Fair value loss/(gain) on an interest rate swap	30*	**36,018**	(23,647)
Amortisation of staff housing benefits		**83,162**	68,355
Loss on disposals of property, plant and equipment		**60,646**	1,269
Amortisation of Deferred expense		**–**	(1,325)
Interest income		**(68,022)**	(24,674)
Interest expenses		**2,229,243**	1,510,070
Exchange gain		**(188,093)**	(144,489)
Dividend income		**(51,899)**	(28,091)
Interest income from loans lent to an associate		**(153)**	–
Share of loss from associates		**(108,393)**	(9,458)
Operating profit before working capital changes		**12,788,695**	10,136,176
Decrease/(Increase) in current assets:			
Inventories		**(189,031)**	(146,168)
Other receivables and current assets		**184,483**	(356,541)
Accounts receivable		**(621,657)**	(2,037,781)
Notes receivable		**(719,699)**	63,303
Increase/(decrease) in current liabilities:			
Accounts payable and accrued liabilities		**423,033**	739,817
Taxes payable		**(60,297)**	107,937
Cash provided by operations		**11,805,527**	8,506,743

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

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

(b) Significant non-cash transactions

The Company and its Subsidiaries incurred additional payables of approximately Rmb957million to contractors and equipment suppliers for construction-in-progress for the year ended 31 December 2007 (year ended 31 December 2006 – Rmb2,133 million).

(c) Undrawn borrowing facilities

The undrawn borrowing facilities in Rmb and USD available to settle the Company's capital commitments for investments in subsidiaries and associates and construction of electricity utility plants as at 31 December 2007, subject to certain conditions, were as follows.

	Company and its Subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Expiring within one year	**12,975,450**	19,216,590	**12,975,450**	19,216,590
Expiring beyond one year	**42,093,782**	46,574,682	**42,093,782**	46,574,682
	55,069,232	65,791,272	**55,069,232**	65,791,272

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

37. Acquisition

(1) Acquisition of Hohhot Thermal Company

On 15 January 2007, the Company entered into agreements with Tuoketuo Yunlong Energy Investment Company Limited, pursuant to which the Company acquired 51% interest in Hohhot Thermal Company. This acquisition became effective on 15 January 2007.

The details of net assets acquired, goodwill and the related cash flow arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value*
Cash and cash equivalents	151,665	151,665
Inventories and other current assets	108,140	108,140
Property, plant and equipment	731,706	731,706
Current liabilities	(240,581)	(240,581)
Non-current liabilities	(740,930)	(740,930)
Net assets	10,000	10,000
Net assets acquired(51%)		5,100
Add: goodwill		902
Total consideration paid		(6,002)
Cash inflow from the acquiree		77,349
Net cash inflow on acquisition		71,347

* Since the acquiree was still under construction upon the acquisition, the directors deemed that its carrying value approximated its fair value.

The acquired business contributed nil revenue and net loss of Rmb3 million to the consolidated operation results. If the acquisition had occurred on 1 January 2007, the consolidated revenue would have been Rmb32,829 million and net profit attributable to the equity holders of the Company would have been Rmb3,406 million.

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

37. Acquisition (Cont'd)

(2) Acquisition of Xinyu Power Company

On 1 October 2007, the Company entered into an agreement with Jiangxi Provincial Investment Group Corporation, pursuant to which the Company acquired 100% interest in Xinyu Power Company. This acquisition became effective on 1 October 2007

The acquired business contributed revenues of Rmb148 million and net profit of Rmb3 million to the consolidated operating results for the period from1 October 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the consolidated revenue would have been Rmb33,310 million, and profit attributable to the equity holders of the Company would have been Rmb3,801million. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had been applied from 1 January 2007, together with the consequential tax effects.

The details of net assets acquired, goodwill and the related cash flow arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value
Cash and cash equivalents	7,991	7,991
Inventories and other current assets	114,562	114,562
Property, plant and equipment	413,099	767,799
Other non-current assets	13,893	14,888
Current liabilities	(904,634)	(904,634)
Non-current liabilities	(15,508)	(104,967)
Net assets	(370,597)	(104,361)
Net assets acquired (100%)		(104,361)
Add: goodwill		104,361
Total consideration paid		(0.001)
Cash inflow on acquisition		7,991
Net cash inflow on acquisition		7,991

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

37. Acquisition (Cont'd)

(3) Acquisition of Yuzhou Mining Company

On 31 July 2007, the Company and Yuzhou Energy, its jointly controlled entity, entered into an agreement with Kailuan (Group) Company Limited, pursuant to which the Company and Yuzhou Energy acquired 34% and 30%, respectively, of the equity interest in Yuzhou Mining Company. This acquisition became effective on 31 July 2007.

Since the Company holds 50% of Yuzhou Energy's equity interest, the Company and its Subsidiaries obtained 49% of the equity interest in Yuzhou Mining Company in aggregate.

The acquired business contributed revenues of Rmb195 million and net loss of Rmb28 million to the consolidated operating results for the period from 31 July 2007 to 31 December 2007. If the acquisition had occurred on 1 January 2007, the consolidated revenue would have been Rmb33,125 million, and net profit attributable to the equity holders of the Company would have been Rmb3,465 million. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

The details of net assets acquired, goodwill and the related cash flow arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value
Cash and cash equivalents	285,264	285,264
Inventories and other current assets	218,244	218,244
Property, plant and equipment	1,830,728	1,919,083
Other non-current liabilities	18,341	18,916
Current liabilities	(563,405)	(563,405)
Non-current liabilities	(737,257)	(759,490)
Net assets	1,051,915	1,118,612
Net assets acquired (49%)		548,120
Add: negative goodwill		(57,957)
Total consideration		490,163
In which cash consideration paid		(139,775)
cash inflow on acquisition		139,779
Net cash inflow on acquisition		4

The negative goodwill has been included in other operating costs in the income statement for the year ended 31 December 2007.

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

37. Acquisition (Cont'd)

(4) Acquisition of Shayu Railway Company

Yuzhou Energy entered into agreements with Kailuan (Group) Company Limited, Yuzhou Mining Company Limited and Zhangjiakou Construction and Investment Company Limited, under which Yuzhou Energy acquired 81.27% interest in Shayu Railway Company, with a total consideration of Rmb577 million. This acquisition became effective on 1 January 2006.

	Acquiree's carrying value *	Fair value *
Cash and cash equivalents	2,004	2,004
Inventories and other current assets	6,646	6,646
Property, plant and equipment	470,853	529,138
Accounts payable and accrued liabilities	(194,690)	(194,690)
Net assets	284,813	343,098
Minority interests	(53,346)	(64,262)
Net assets acquired (81.27%)	231,467	278,836
Add: Goodwill		9,883
Total consideration paid		(288,719)
Less: Cash inflow from the acquiree		2,004
Payment on behalf of the acquiree in 2005		5,750
Net cash outflow on acquisition		(280,965)

* Since Yuzhou Energy is proportionately consolidated by the Company, all the amounts presented in this table represent 50% of the amounts recorded in Yuzhou Energy's financial statements.

The acquired business contributed revenues of Rmb 27 million and net loss of Rmb 13 million to the consolidated operating results for the year ended 31 December 2006. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depreciation and amortisation that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2006, together with the consequential tax effects.

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

37. Acquisition (Cont'd)

(5) Acquisition of Pengshui Hydropower Company

As explained in Note 5 a, The Company obtained effective control over Pengshui Hydropower Company, on 20 July 2006 via an act-in-concert agreement with another shareholder of Pengshui Hydropower Company. Hence, Pengshui Hydropower Company was derecognised from an associate company and recognised as a subsidiary of the Company, which constitutes a business combination under IFRS 3

The details of net assets acquired arising from this acquisition are as follows:

	Acquiree's carrying value	Fair value *
Cash and cash equivalents	172	172
Inventories and other current assets	6,669	6,669
Property, plant and equipment	3,859,397	3,859,397
Other non-current assets	5,968	5,968
Current liabilities	(811,376)	(811,376)
Non-current liabilities	(2,563,030)	(2,563,030)
Net assets	497,800	497,800
Net assets acquired		248,900
Total consideration – value of investment in associate that was derecognised upon this business combination (Note 8)		(248,900)
Cash inflow on acquisition		172
Net cash inflow on acquisition		172

* Since Pengshui Hydropower Company was still under construction upon the acquisition, the directors deemed that its carrying value approximated its fair value.

The acquired business contributed nil revenue and net loss of Rmb0.3 million to the consolidated operating results for the year ended 31 December 2006. If the acquisition had occurred on 1 January 2006, its contribution would be nil revenue and net loss of Rmb0.3 million for the year ended 31 December 2006.

Notes To The Financial Statements

For the year ended 31 December 2007
(All amounts expressed in thousands of Rmb unless otherwise stated)

38. Commitments

(a) Capital commitments

As at 31 December 2007, the Company had capital commitments related to investments in subsidiaries and associates amounted to Rmb13,423million (31 December 2006 – Rmb12,906 million). In addition, capital commitments of the Company and its Subsidiaries in relation to the construction and renovation of the electricity utility plants not provided for in the balance sheets were as follows:

	Company and its Subsidiaries		Company	
	2007	2006	**2007**	2006
Authorised and contracted for	**34,619,857**	21,972,218	**8,691,599**	9,502,768
Authorised but not contracted for	**19,999,208**	19,484,254	**1,021,334**	–
	54,619,065	41,456,472	**9,712,933**	9,502,768

A substantial portion of the above capital commitment is in relation to a coal mining project for which the Company and its Subsidiaries has not yet obtained the relevant mining license. If the mining license is not obtained at the end of the exploration work, there will be no capital commitment.

(b) Operating lease commitments

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

	Company and its Subsidiaries	
	2007	2006
Within one year	**11,391**	10,372
Between one to five years	**37,273**	28,912
Over five years	**28,913**	28,912
	77,577	68,196

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

39. Financial Guarantees

	Company and its Subsidiaries As at 31 December		Company As at 31 December	
	2007	2006	**2007**	2006
Guarantees for loan facilities				
– granted to associates	**862,250**	1,084,850	**862,250**	1,084,850
– granted to a jointly controlled entity	**–**	–	**566,500**	291,500
– granted to subsidiaries	**–**	–	**6,739,059**	7,751,141
	862,250	1,084,850	**8,167,809**	9,127,491

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

40. Additional Financial Information

As at 31 December 2007, net current liabilities and total assets less current liabilities of the Company and its Subsidiaries amounted to approximately Rmb 30,123 million (31 December 2006 – Rmb12,104 million) and Rmb 80,141 million (31 December 2006 – Rmb69,281 million), respectively.

41. Reclassification

Certain comparative figures have been reclassified to confirm to the current year presentation.