



華電國際電力股份有限公司
HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

(Stock Code: 1071)

Interim Report
2008



The board of directors (the “Board”) of Huadian Power International Corporation Limited (the “Company”) hereby presents the unaudited consolidated interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2008 (the “Period”), as prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. Although the Group’s interim financial report for the Period was unaudited, it has been reviewed by KPMG, the international auditor of the Company, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by Hong Kong Institute of Certified Public Accountants. KPMG’s unmodified independent review report to the Board is set out on page 49. The Company’s Audit Committee has also reviewed the Group’s 2008 interim report and its relevant financial information.

BUSINESS REVIEW

Despite the noticeable increase in turnover during the Period, the Group recorded losses in the first half of 2008, as the on-grid tariff of the Group has not been adjusted since 2007 till the end of the first half of 2008 while the price of coal purchased by the Group increased substantially due to the nationwide surging coal price. During the Period, turnover of the Group amounted to approximately RMB13,694 million, representing an increase of approximately 60.38% over the corresponding period in 2007; losses attributable to equity shareholders of the Company amounted to approximately RMB506 million, representing a decrease of approximately 193.17% from the corresponding period in 2007. Losses per share were approximately RMB0.084, and net assets value per share (excluding minority interests) amounted to approximately RMB2.23.

Interim Dividends

The Board did not recommend to declare any interim dividend for the Period.

Power generation

During the Period, power generated by the Group amounted to approximately 47.61 million MWh, representing an increase of approximately 64.77% over the corresponding period in 2007; on-grid power sold amounted to approximately 44.30 million MWh, representing an increase of approximately 64.59% over the corresponding period in 2007; the average utilization hours of power generating facilities were 2,597 hours, representing an increase of 372 hours over the corresponding period in 2007; and standard coal consumption for power supplied was 337.36g/KWh, decreased by approximately 6.3g/KWh over the corresponding period in 2007.

The Group is one of the largest listed power-generating group companies in the PRC. As at the date of this report, details of the installed capacity of the Group are set out as follows:

Power plants/ Companies	Installed capacity (MW) (as at the date of this report)	Equity interest held by the Company	Combination of generating units	Notes
Zouxian Plant	2,540	100%	2 x 600MW + 4 x 335MW	
Shiliquan Plant (Note 1)	740	100%	2 x 300MW + 1 x 140MW	
Laicheng Plant	1,200	100%	4 x 300MW	
Huadian Zouxian Power Generation Company Limited ("Zouxian Company")	2,000	69%	2 x 1,000MW	
Huadian Weifang Power Generation Company Limited ("Weifang Company")	2,000	45%	2 x 670MW + 2 x 330MW	
Huadian Qingdao Power Generation Company Limited ("Qingdao Company") (Note 1)	1,200	55%	4 x 300MW	

Power plants/ Companies	Installed capacity (MW) (as at the date of this report)	Equity interest held by the Company	Combination of generating units	Notes
Huadian Zibo Power Company Limited ("Zibo Company")	433	100%	2 x 145MW + 2 x 71.5MW	
Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	890	87.5%	2 x 300MW + 2 x 145MW	
Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Company")	930	89.26%	2 x 315MW + 2 x 150MW	
Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Power Company") (Note 2)	—	55%	—	40.5MW wind power generating units under construction
Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	1,200	65%	2 x 600MW	
Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company")	45	100%	30 x 1.5MW	
Sichuan Guangan Power Generation Company Limited ("Guangan Company")	2,400	80%	2 x 600MW + 4 x 300MW	
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	—	100%	—	Hydropower generating units with 4 x 230MW planned capacity
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660MW	

Power plants/ Companies	Installed capacity (MW) (as at the date of this report)	Equity interest held by the Company	Combination of generating units	Notes
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	1,200	97%	2 x 600MW	
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company") (Note 3)	—	95%	—	1 x 660 MW generating unit completed 168-hour trial operation 1x 660MW generating unit under construction
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company") (Note 3)	—	78%	—	1 x 12.5 MW generating unit completed 72 + 24-hour trial operation 1 x 12.5MW generating unit under construction
Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company") (Note 4)	—	75%	—	49.5MW wind power generating units under construction
Ningxia Zhongning Power Company Limited ("Zhongning Company")	660	50%	2 x 330MW	
Anhui Chizhou Jiu Hua Power Generation Company Limited ("Chizhou Company")	600	40%	2 x 300MW	
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	1,200	40%	2 x 600MW	

Power plants/ Companies	Installed capacity (MW) (as at the date of this report)	Equity interest held by the Company	Combination of generating units	Notes
Ningxia Power Generation (Group) Company Limited ("Ningxia Power Company")	1,606.2	31.11%	4 x 330MW + 286.2MW	286.2MW wind power 4 x 330MW thermal power
China Huadian Group New Energy Development Company Limited ("Huadian New Energy") (Note 5)	171	20%	121.5MW + 49.5MW	wind power
Total installed capacity controlled or invested (Note 6)	<u>21,675.2</u>			
Total interested installed capacity (Note 7)	<u>16,022.4</u>			
Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company") (Note 8)	1,435	64%	3 x 390MW + 135MW + 130MW	3 x 390MW gas-fired generating units
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power") (Note 8)	500	82%	2 x 200MW + 4 x 25MW	2 x 300MW generating units under construction (Note 9)
Hebei Huadian Complex Pumping-storage Power Company Limited ("Hebei Hydropower Company") (Note 8)	57	100%	1 x 16MW + 2 x 15MW + 1 x 11MW	hydropower
Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("Za-gunao Hydroelectric Company") (Note 8)	228	49%	3 x 46MW + 3 x 30MW	363MW hydropower generating units under construction

Note 1: The Group shut down the 280MW generating units of Shiliquan Plant and the 49MW generating units of Qingdao Company in May 2008.

Note 2: Laizhou Wind Power Company was incorporated on 30 April 2008, in which the Company holds 55% equity interest, and has been included into the Group's consolidated financial statements since its incorporation.

Note 3: The first 660MW generating unit in phase I of new project of Wuhu Company completed the 168-hour trial operation at full loaded capacity as required by the State on 24 June 2008. The first 12.5MW generating unit of phase I of new project of Suzhou Biomass Energy Company completed the 72 + 24-hour trial operation at full loaded capacity as required by the State on 1 August 2008.

Note 4: On 11 August 2008, the Company and China Huadian Hong Kong Co., Ltd. ("China Huadian Hong Kong") entered into the Huadian Inner Mongolia Kailu Wind Power Company Limited Joint Venture Contract to establish Kailu Wind Power Company. For details, please refer to the relevant announcement of the Company dated 11 August 2008.

Note 5: On 5 September 2007, the Company entered into an agreement with China Huadian Corporation ("China Huadian") and other companies to establish Huadian New Energy. As at the date of this report, the Company holds 20% equity interest in the registered capital of Huadian New Energy.

Note 6: The aggregate total installed capacities of the Company, its subsidiaries, jointly controlled entity and associates as at 30 June 2008, of which the capacity of Ningxia Power Company was aggregated by excluding the capacity of 660MW of Zhongning Company, a jointly controlled entity with 50% equity interest held by Ningxia Power Company.

Note 7: The aggregate proportionate installed capacities of the Company and companies controlled or invested by the Company as at 30 June 2008, based on the respective percentage equity interests held by the Company, of which 31.11% of the 1,219.5MW interested capacity of Ningxia Power Company was included.

Note 8: On 13 February 2008, the Company and China Huadian entered into the Equity Transfer Agreement Regarding the Equity Interests in Hebei Huadian Complex Pumping-storage Power Company Limited, Hebei Huadian Shijiazhuang Thermal Power Company Limited, Hangzhou Huadian Banshan Power Generation Company Limited and Sichuan Huadian Zangnao Hydroelectric Development Company Limited (collectively referred to as the "Four Power Enterprises") (the "Equity Transfer Agreement"). All terms of the Equity Transfer Agreement had been fulfilled. The equity transfer date of the Four Power Enterprises was 1 July 2008. As at the date of this report, the settlement procedures and related audit of the Four Power Enterprises are in progress.

Note 9: The two generating units under construction belong to Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited, in which Shijiazhuang Thermal Power holds 60% equity interest.

ENERGY-SAVING AND ENVIRONMENT PROTECTION PROJECTS

During the Period, the Group continued to strengthen its efforts in environmental protection and proactively built itself as a resource-conservation and environment-friendly enterprise. As at the date of this report, the Group has strengthened operation management of generating units with an aggregate capacity of 16,490MW for which desulphurisation devices had been installed. Meanwhile, the Group had also carried out desulphurisation technological renovation for the 6 generating units (with total capacity of 1,940MW) of Laicheng Plant and Zouxian Plant. The renovation is in smooth progress, which builds up a favourable image for the Group in environmental protection.

Construction in progress

All of the Group's projects under construction have been progressing smoothly as scheduled. As at the date of this report, a total of 672.5MW generating units of the Group have completed trial operations in 2008, which include the first 660MW generating unit of Wuhu Power Company (in which the Company holds 95% equity interest) completed the 168-hour trial operation at full loaded capacity as required by the State on 24 June 2008 and the first 12.5MW biomass energy generating unit of Suzhou Biomass Energy Company (in which the Company holds 78% equity interest) completed the 72+24-hour trial operation at full loaded capacity as required by the State on 1 August 2008.

As at the date of this report, the Group's projects under construction include: one 660MW generating unit of Wuhu Company, one 12.5MW biomass energy generating unit of Suzhou Biomass Energy Company, the 40.5MW wind power generating units of Laizhou Wind Power Company, two 300MW heat-power co-generation units of Henan Luohe Phase I Project and the 49.5MW wind power generating units of Yihetala Phase I Project, Tongliao, the Inner Mongolia (excluding projects under construction of the Four Power Enterprises).

Preliminary projects

During the Period, the Group's preliminary projects progressed smoothly and the Group obtained approvals from relevant national or local authorities for the construction of its projects, including the Phase I 2 x 300MW heat-power co-generation project in Luohe, Henan; Phase I 49.5MW wind power project in Yihetala, Tongliao, the Inner Mongolia; the Phase II 45MW wind power project of Ningdong Wind Power Company and the 300MW concession project in Beiqinghe, Tongliao, the Inner Mongolia.

Zibo Company also obtained approval from the National Development and Reform Commission (the "NDRC") for its 2 x 300MW heat-power co-generation project to start preliminary work. In addition, applications seeking the authorisation for the 2 x 300MW heat-power co-generation project in Qudong, Henan, the 4 x 230MW hydropower project in Luding, Sichuan and the 100MW wind project in Guyuan, Hebei have been submitted to and are now pending approval from NDRC.

MANAGEMENT DISCUSSION AND ANALYSIS

8 Macro economy and demand for electricity

According to the statistics of the National Bureau of Statistics of China, during the Period, the gross domestic product ("GDP") of the PRC amounted to approximately RMB13,061.9 billion, representing an increase of approximately 10.4% from the corresponding period in 2007 based on comparable prices. The growth rate decreased by 1.8% compared to the corresponding period in last year. Power consumption of the whole society totalled 1,691 million MWh, representing an increase of approximately 11.67% over the corresponding period in 2007, of which the consumption by the primary, secondary, tertiary industries and by urban and rural residents were 41 million MWh, 1,293 million MWh, 164 million MWh and 193 million MWh, representing an increase of approximately 4.95%, 11.13%, 12.28% and 16.51% over the corresponding period in 2007 respectively.

Difficulties and challenges in operation

During the Period, the surging coal prices, the tight coal supply, together with the ineffective policy for price linkage between coal and electricity, resulted in the Group's first loss since its establishment.

The State strengthened macro-economic control. The tight monetary policy adopted by the State and consecutive interest rate rise contributed to the significant increase in the Group's finance costs.

Declined coal quality has potential impact on the safe and stable operation of the generating units of the Group.

Turnover

During the Period, the total volume of on-grid power sold by the Group was approximately 44.30 million MWh, representing an increase of approximately 64.59% over the corresponding period in 2007. The increase was mainly due to the growth in the volume of power generated by the newly installed generating units and the strong power demand. During the Period, the turnover of the Group amounted to approximately RMB13,694 million, representing an increase of approximately 60.38% over the corresponding period in 2007. This was mainly due to the increase in the volume of power sold. Revenue from the sale of electricity of the Group amounted to approximately RMB13,428 million, representing an increase of approximately 60.67% over the corresponding period in 2007. Revenue from sale of heat amounted to approximately RMB266 million, representing an increase of approximately 46.81% over the corresponding period in 2007.

Operating results

During the Period, the Group's operating profit amounted to approximately RMB161 million, representing a decrease of approximately 86.52% from the corresponding period in 2007. Losses attributable to equity shareholders of the Company amounted to approximately RMB506 million, representing a decrease of approximately 193.17% over the corresponding period in 2007. Losses per share were approximately RMB0.084.

Operating expenses

During the Period, the operating expenses of the Group amounted to approximately RMB13,534 million, representing an increase of approximately 84.21% over the corresponding period in 2007. This was mainly attributable to the growth in the volume of power generated and the coal price surge.

The major operating expense of the Group was the cost of coal. During the Period, the cost of coal of the Group was approximately RMB10,227 million, representing an increase of approximately 118.17% over the corresponding period in 2007; the unit coal cost of power generated of the Group was approximately RMB225.3/MWh, representing an increase of approximately 29.98% over the corresponding period in 2007. These were due to the coal price surge and the growth in the volume of power generated.

During the Period, depreciation and amortization expenses of the Group amounted to RMB1,697 million, representing an increase of approximately RMB408 million or approximately 31.60% over the corresponding period in 2007. This was mainly due to the increase in depreciation cost of the new generating units being put into operation.

During the Period, major overhaul expenses of the Group amounted to approximately RMB166 million, representing an increase of approximately RMB17.62 million or approximately 11.86% over the corresponding period in 2007. The increase was mainly attributable to the newly installed generating units.

During the Period, repair and maintenance expenses of the Group amounted to approximately RMB145 million, representing an increase of approximately RMB56.21 million or approximately 63.46% over corresponding period in 2007, which was mainly attributable to the newly installed generating units and the increase in power generated.

During the Period, administrative expenses of the Group amounted to approximately RMB393 million, representing an increase of approximately RMB127 million or approximately 47.74%, over the corresponding period in 2007. This was mainly due to the increase in the pollution disposal charges, property insurance premium, technical supervision service fee and slag transportation costs for the newly installed generating units and the increase in the land use tax rate.

During the Period, other operating expenses of the Group amounted to approximately RMB221 million, representing an increase of approximately RMB45.99 million or approximately 26.22% over the corresponding period in 2007. This was mainly due to an increase in fuel oil cost and water expenses, attributable to the newly installed generating units and the increase in power generation and fuel oil price.

Finance costs

During the Period, net finance costs of the Group amounted to approximately RMB1,122 million, representing an increase of approximately 99.91% over the corresponding period in 2007, of which interest expenses (after deducting interest capitalization) amounted to approximately RMB1,223 million, representing an increase of approximately 106.00% over the corresponding period in 2007. This was mainly attributable to the increased proportion of interest charged to income statement after the commissioning of newly installed generating units and the series of interest rate hikes since 2006.

Pledge of assets

As at 30 June 2008, Zouxian Company, Zhangqiu Company, Zibo Company, Guangan Company, Tengzhou Company, Lingwu Company and Suzhou Company, all being subsidiaries of the Company, have pledged their income stream in respect of the sale of electricity or trade debtors for sale of electricity to banks as pledged assets for bank loans amounting to approximately RMB7,821 million.

Indebtedness

As at 30 June 2008, borrowings of the Group amounted to approximately RMB42,541 million, of which loans denominated in US dollars amounted to approximately US\$198 million. The short-term debentures amounted to approximately RMB3,546 million. The gearing ratio (that is total liabilities/total assets) was approximately 76.24%.

Details of bank borrowings and other borrowings of the Group and the Company as at 30 June 2008 are set out in notes 16 and 17 to the interim financial report (prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”) of this report.

Contingent Liabilities

As at 30 June 2008, Guangan Company, a subsidiary of the Company, provided guarantees to banks for loans granted to its associate, Sichuan Huayingshan Longtan Coal Power Company Limited amounting to RMB110 million; and Zhongning Company, a jointly controlled entity of the Company, provided guarantees to banks for loans granted to Ningxia Power Company amounting to RMB37.50 million. Except for the guarantees mentioned above, the Group did not have any material contingent liabilities.

Cash and cash equivalents

As at 30 June 2008, cash and cash equivalents owned by the Group amounted to approximately RMB2,686 million.

Production, operation and safety

During the Period, equivalent availability factor of the generating units and equivalent forced suspension rate of the Group were approximately 90.40% and approximately 0.77% respectively.

During the Period, the Group's generating units were operating safely and stably. Weifang Company, Qingdao Company, Laicheng Plant, Tengzhou Company and Zibo Company managed by the Group had recorded continuous safe production over 3,000 days; Zouxian Plant had recorded continuous safe production for over 2,800 days; and Zhangqiu Company had recorded continuous safe production for over 2,000 days, each representing their longest safe production record.

During the Period, the Group had undertaken major overhauls for 6 generating units and minor overhauls for 16 generating units, representing a planned overhaul rate of approximately 8.79%.

Save as the information disclosed herein, information in respect of the Group's other matters as set out in paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") has not changed materially from that included in the Company's 2007 annual report.

BUSINESS OUTLOOK

During the Period, the Group had experienced unprecedented difficulties in its operation due to surging coal price, tight coal supply and frequent severe natural disasters in the PRC. However, national economy is continuing its steady and rapid growth while demand for electricity remains strong. Therefore, the power industry will maintain its strong growth momentum, thus providing more potential for the Group to generate additional electricity. Recently, the State has launched policy on adjusting electricity price in due course and carried out temporary intervention policy to the prices of electrical coal, which has improved the operation environment of the Group.

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In view of the grim operation situation, the major goals of the Group in the second half of 2008 are: to ensure safe and stable operation of the Group's power plants and to generate more electricity; to optimize the combination of the power generated, secure the coal supply and improve the performance rate of the coal contracts; to achieve the Group's production targets for 2008 set at the beginning of the year; to control costs stringently; to speed up the adjustment to optimize the industrial structure of the Group; and to accelerate the exploration in industries such as coal which are related to power generation while optimizing preliminary power source projects and completing project construction in high quality.

Forecast and explanation for operating results as at the end of the next reporting period

It is expected that the net profit at the end of the next reporting period will decrease materially or even record a loss when compared with the same period of last year due to the surging coal price in 2008 and ineffective policy for price linkage between coal and electricity.

CONNECTED TRANSACTIONS

Connected transactions, as defined in the Listing Rules, entered into by the Company during the period from the beginning of this year to the date of this report are as follows:

(1) Capital increase in China Huadian Finance Corporation Limited (“Huadian Finance”)

On 3 January 2008, to increase the Company's capital contribution in Huadian Finance, the Company and Huadian Finance entered into the Capital Increase Agreement between Huadian Power International Corporation Limited and China Huadian Finance Corporation Limited, under which the Company will contribute RMB149.19 million for the capital increase. Upon completion of the capital increase, the Company will be interested in approximately 20.46% of the enlarged registered capital of Huadian Finance, which shall increase from RMB800 million to RMB1,390 million.

As for details, please refer to the announcement of the Company dated 7 January 2008.

(2) Capital increase in Huadian New Energy

On 3 January 2008, the Company, China Huadian, Huadian Energy Corporation Limited (“Huadian Energy”), Guizhou Wujiang Hydropower Development Company Limited (“Guizhou Hydropower”) and China Huadian Engineering (Group) Company Limited (“Huadian Engineering”) entered into the Capital Increase Agreement of China Huadian Group New Energy Development Company Limited, pursuant to which China Huadian, the Company, Huadian Energy, Guizhou Hydropower and Huadian Engineering agreed to increase their capital contribution in Huadian New Energy. Pursuant to which, the Company had contributed RMB59.61 million for the capital increase. Upon completion of the capital increase, the Company will remain interested in approximately 20% of the registered capital of Huadian New Energy, which increased from RMB200 million to RMB498.03 million.

As for details, please refer to the announcement of the Company dated 7 January 2008.

(3) Acquisition of equity interests in the Four Power Enterprises from China Huadian

On 13 February 2008, the Company and China Huadian entered into the Equity Transfer Agreement, pursuant to which China Huadian has agreed to sell and the Company has agreed to acquire the equity interests of the Four Power Enterprises held by China Huadian, including 64% equity interests in Huangzhou Banshan Company in Zhejiang Province, 82% equity interests in Shijiazhuang Thermal Power Company in Hebei Province, 100% equity interests in Hebei Hydropower Company in Hebei province and 49% equity interests in Za-gunao Hydroelectric Company in Sichuan Province. The total installed capacity and interested capacity are 2,220MW and 1,497.1MW respectively. The consideration amounted to approximately RMB2,048 million. The acquisition was approved by the independent shareholders at the extraordinary general meeting (“EGM”) held on 13 May 2008 and by State-Owned Asset Supervision and Administration Commission of the State Council.

As for details, please refer to the announcement of the Company dated 13 February 2008, the circular of the Company dated 25 March 2008, the supplemental circular of the Company dated 25 April 2008 and the announcement of voting results of EGM of the Company dated 13 May 2008.

All terms of the Equity Transfer Agreement between the Company and China Huadian have been fulfilled. Pursuant to the Equity Transfer Agreement, the equity transfer date was 1 July 2008. As at the date of this report, the settlement procedures and relevant audit of the Four Power Enterprises are in progress.

(4) Continuing connected transactions with Huadian Coal Industry Group Company Limited (“Huadian Coal”)

On 14 April 2008, the Company and Huadian Coal entered into an agreement, pursuant to which the Company engaged Huadian Coal to provide management and co-ordination services in relation to procurement of coal in the PRC for a total annual service fee not exceeding RMB56.00 million for 2008. The Company has entered into a similar coal procurement service agreement in 2007 with Huadian Coal.

As for details, please refer to the announcement of the Company dated 14 April 2008.

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

- (a) the transaction was entered into by the Company in the ordinary and usual course of the Company's business;
- (b) the terms of the agreement governing the transaction are no less favourable than those generally available from the independent third party service providers with similar coal procurement scale under similar services; and
- (c) the transaction was conducted under normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(5) Coal purchase framework agreement with Yanzhou Coal Mining Company Limited ("Yanzhou Coal")

The Company has been purchasing coal from Yanzhou Coal for power generation by Zouxian Plant and other subsidiaries of the Company on a continuing basis. In order to regulate the purchase of coal by the Company, the Company and Yanzhou Coal entered into a coal purchase framework agreement on 23 April 2008 (the "Coal Purchase Framework Agreement").

The proposed annual caps will not exceed RMB6 billion, RMB8 billion and RMB8 billion respectively for the period from the date of the Coal Purchase Framework Agreement to 31 December 2008 and for the two financial years ending 31 December 2010.

As for details, please refer to the announcement of the Company dated 23 April 2008 and the circular of the Company dated 14 May 2008.

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

- (a) the transaction was entered into by the Company in the ordinary and usual course of the Company's business;
- (b) the terms of the agreement governing the transaction are no less favourable than those generally available from the independent third party providers with similar coal procurement scale under coal supply services; and
- (c) the transaction was conducted under normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(6) Financial services agreement with Huadian Finance

On 25 April 2008, the Company and Huadian Finance entered into a financial services agreement, pursuant to which Huadian Finance has agreed to provide the Group with deposit services, settlement services, loan services and other financial services subject to the terms and conditions provided therein.

The financial services agreement took effect upon the approval of independent shareholders at the annual general meeting for the year 2007 (the “2007 AGM”) held on 30 June 2008.

As for details, please refer to the announcement of the Company dated 25 April 2008, the circular of the Company dated 14 May 2008 and the announcement of the Company dated 30 June 2008.

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

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- (a) the transaction was entered into by the Company in the ordinary and usual course of the Company’s business;
 - (b) the terms of the agreement governing the transaction are no less favourable than those generally available from the independent third party service providers with similar financial service scale under similar services; and
 - (c) the transaction was conducted under normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole.

(7) Huadian Inner Mongolia Kailu Wind Power Company Limited Joint Venture Contract with China Huadian Hong Kong

On 11 August 2008, the Company and China Huadian Hong Kong Co., Ltd. (China Huadian Hong Kong) entered into the Huadian Inner Mongolia Kailu Wind Power Company Limited Joint Venture Contract to establish Kailu Wind Power Company. Upon completion of the transactions contemplated under the contract, the Company and China Huadian Hong Kong will be interested in 75% and 25%, respectively, of the registered capital of Kailu Wind Power Company. The registered capital and the total investment of Kailu Wind Power Company amount to RMB169.98 million and RMB485.64 million respectively and the Company will contribute RMB127.485 million. Kailu Wind Power Company will initially be engaged in the construction and operation of the 49.5MW Phase I Inner Mongolia Tongliao Yihetala Wind Power Project.

As for details, please refer to announcement of the Company dated 11 August 2008.

SIGNIFICANT EVENTS

(1) Issue of the first and the second tranche of short-term debentures for 2008

Pursuant to the Management Measures on Short-term Debentures and relevant regulations of the People's Bank of China, the Company publicly issued the first and second tranche of short-term debentures for 2008 in the PRC interbank debenture market on 17 March 2008. The total issuing amount of these two tranches of short-term debenture is RMB3.5 billion, of which, RMB1 billion was from the first tranche with a maturity period of 273 days and with par value of RMB100 each and a coupon rate of 5.38% and RMB2.5 billion was from the second tranche with a maturity period of 365 days and with par value of RMB100 each and a coupon rate of 5.45%. As for details, please refer to the announcement of the Company dated 18 March 2008.

(2) Bonds with warrants

At the Company's EGM held on 13 May 2008, the Board was authorized to issue bonds with warrants with an amount of not more than RMB5.3 billion and not more than 53 million certificates of bonds with warrants to the institutional investors and the public investors within the PRC. As at the date of this report, the plan of issuance has been submitted to China Securities Regulatory Commission and is in the process of review. As for details, please refer to the announcement of the Company dated 13 February 2008, the circular of the Company dated 25 March 2008 and the announcement regarding voting results of EGM of the Company dated 13 May 2008.

(3) Re-election of directors and supervisors

As the 3-year term of the fourth session of the Board and Supervisory Committee of the Company expired, the fifth Board and Supervisory Committee were elected at the 2007 AGM held on 30 June 2008. The office term of the new Board and Supervisory Committee is 3 years. Members of the new Board are Mr. Yun Gongmin, Mr. Chen Feihu, Mr. Meng Fanli, Mr. Chen Jianhua, Ms. Wang Yingli, Mr. Chen Bin, Mr. Zhong Tonglin, Mr. Chu Yu, Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu. Members of the new Supervisory Committee are Mr. Li Xiaopeng, Mr. Peng Xingyu and Ms. Zheng Feixue.

As for details, please refer to the 2007 AGM notice and the circular of the Company dated 14 May 2008, the supplementary notice of 2007 AGM of the Company dated 16 June 2008 and the announcement of the voting results of the 2007 AGM of the Company dated 30 June 2008.

(4) Increase in on-grid electricity tariffs

According to a notice issued by the NDRC, the on-grid electricity tariffs of power grids located in Eastern China, Northern China, Central China, North-western China, North-eastern China and Southern China were adjusted accordingly with effect from 1 July 2008, in order to ease the production and operation difficulties of power generation enterprises, secure power supply and promote conservation of resources. The average on-grid electricity tariffs (inclusive of value-added tax) of the Group increased by RMB17.14/MWh, representing an increase of approximately 4.77% (calculated on the weighted average capacity). As for details, please refer to the announcement of the Company dated 2 July 2008.

In addition, according to a notice issued by the NDRC, in order to ease the production and operation difficulties of thermal power generation enterprises and to secure normal power supply and orderly production, the State decides to reasonably increase the on-grid electricity tariffs of thermal power generation enterprises with effect from 20 August 2008. Upon the second tariff adjustment, the average on-grid tariffs (inclusive of value-added tax) of the Group increased by RMB22.59/MWh, representing an increase of approximately 5.78% (calculated on the weighted average capacity). As for details, please refer to the announcement of the Company dated 20 August 2008.

(5) Amendments to the Articles of Association of the Company and the Code on Shareholder's Meetings

The amendments to the Articles of Association of the Company and the Code on Shareholder's Meetings were approved by shareholders at the 2007 AGM held on 30 June 2008. For details, please refer to the announcement of the Company dated 13 May 2008, the circular of the Company dated 14 May 2008 and the announcement of the voting results of the 2007 AGM of the Company dated 30 June 2008.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, each of the following persons, not being a director, supervisor, chief executive or member of senior management of the Company, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 30 June 2008 which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or was otherwise, as at 30 June 2008 interested in 5% or more of any class of the then issued share capital of the Company or was, as at 30 June 2008, a substantial shareholder (as defined in the Listing Rules) of the Company:

Name of shareholder	Type of shares	Number of shares held	Interest as at 30 June 2008		
			Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued A shares	Approximate percentage of shareholding in the Company's total issued H shares
China Huadian	A shares	2,961,061,853	49.18%	64.51%	—
	H shares	85,862,000(L) (Note 1)	1.43%	—	6%
Shandong International Trust Corporation	A shares	800,766,729	13.30%	17.45%	—
JPMorgan Chase & Co. (Note 2)	H shares	157,898,994(L)	2.62%	—	11.03%
		9,200,000(S)	0.15%	—	0.64%
		112,502,960(P)	1.87%	—	7.86%
The Goldman Sachs Group, Inc. (Note 2)	H shares	144,276,000(L)	2.40%	—	10.08%
Schroder Investment Management (Hong Kong) Limited (Note 2)	H shares	103,046,000(L)	1.71%	—	7.20%
The Hamon Investment Group Pte Limited (Note 2)	H shares	72,038,000(L)	1.20%	—	5.03%
HKSCC Nominees Limited (Note 3)	H shares	1,426,059,900	23.68%	—	99.65%

(L): Long position

(S): Short position

(P): Lending pool

Notes:

1. *H shares held in name of HKSCC Nominees Limited and directly held through its wholly-owned subsidiary China Huadian Hong Kong.*
2. *H shares are held in name of HKSCC Nominees Limited and/or held directly indirectly through series of controlled corporations.*
3. *Save as disclosed above, according to the records of HKSCC Nominees Limited and other information available to the directors of the Company as at 30 June 2008, the other H shares held by HKSCC Nominees Limited were held by it on behalf of a number of other persons, and to the knowledge of the directors of the Company, none of such persons individually was interested in 5% or more of the Company's then total issued H shares of the Company as at 30 June 2008.*

Save as disclosed above and so far as the directors of the Company are aware, as at 30 June 2008, no other person (other than the directors, supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Listing Rules) of the Company.

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

As at 30 June 2008, none of the directors, supervisors, chief executives or members of senior management of the Company or their respective associates had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO), including shares (i) being required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such director, supervisor, chief executive or member of senior management of the Company was taken or deemed to have under such provisions of the SFO), or (ii) being entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or (iii) being notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to supervisors of the Company the same as it does to the directors of the Company).

During the Period, the Company has adopted a code of conduct regarding transactions of the directors of the Company in the Company's securities on terms identical to those of the Model Code. Having made specific enquiry of all directors of the Company, the Company understands that all directors of the Company have complied with the required standard set out in the Model Code.

QUALIFIED ACCOUNTANT

As the Company was granted a waiver by the Stock Exchange as stated in the announcement dated 20 June 2005, it appointed Mr. Zhu Fangxin as its qualified accountant with access to the assistance of Mr. Chow Hiu Tung, Harry. The waiver period expired on 8 June 2008. The Company is using its best endeavour in finding a candidate with suitable qualifications and experiences who knows the power industry well to assume the position of qualified accountant of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

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DESIGNATED DEPOSITS AND OVERDUE MATERIAL DEPOSITS

As at 30 June 2008, the Group's deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material deposits which could not be collected by the Group upon maturity.

MATERIAL LITIGATION

During the Period, the Group was not involved in any material litigation or arbitration. In addition, as at 30 June 2008, no litigation or claim of material importance was known to the directors of the Company to be pending or threatened by or against the Group.

AUDIT COMMITTEE

The unaudited interim financial report for the Period prepared under International Accounting Standards 34 "Interim Financial Reporting" were reviewed by the Company's Audit Committee.

CORPORATE GOVERNANCE PRACTICES

The Company has adhered to the corporate governance and pressed ahead to innovate management. In strict compliance with the PRC Company Law, the PRC Securities Law, the Listing Rules of Shanghai Stock Exchange, the Listing Rules and relevant provisions promulgated by domestic and overseas securities regulatory institutions, the Company has improved the structure of corporate governance, enhanced the level of the Company's governance and endeavored to realize a harmonious development between the Company's growth and the interest of its shareholders. By running a transparent and standardized operation, the Company continues to establish and improve all internal regulations and systems of the Company and foster initiatives to bring the entire governance of the Company to a higher level. As approved at the second meeting of the fifth session of the Board, the Company formulated the "Special System of Antiappropriation of Funds of Listed Company by Substantial Shareholders and Related Parties of HDPI", revised the "Management Rules on Information Disclosure of HDPI" and "Management of Raised Proceeds of HDPI". According to the report named "Top 100 Listed Companies in the PRC with Best Governance in 2008" jointly issued by the Corporate Governance Research Centre of the Institute of World Economics & Politics of Chinese Academy of Social Sciences, Executive Examination and Research Centre of China National School of Administration and Protiviti Inc., the Company ranked 9 in the evaluation of corporate governance in 2008 among the PRC listed companies.

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

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

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

- During the Period, the Company has conducted a total of eight Board meetings.
- the Company has formulated the Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited and the Code on Trading of the Company's Securities by Employees of Huadian Power International Corporation Limited, which are not less strict than the Model Code as set out in Appendix 10 to the Listing Rules.
- The Audit Committee comprises five members, including two non-executive directors and three independent non-executive directors. Mr. Hu Yuanmu, the independent non-executive director, was the chairman of Audit Committee. The other four members were independent non-executive directors, Mr. Ding Huiping and Mr. Wang Chuanshun and non-executive directors, Mr. Chen Bin and Ms. Wang Yingli. The Audit Committee is mainly responsible for communication, supervision and inspection of internal and external audit of the Company and reported to the directors of the Company in relation to their opinions on audit, internal control and corporate governance.
- In addition to the Audit Committee and the Remuneration Committee, the Company has established its Strategic Committee and formulated Detailed Rules on the Work of the Strategic Committee. Its main duties include:
 1. studying and recommending the strategic planning for the long-term development of the Company;
 2. studying and recommending on financing proposals in major investments requiring approval of the Board;
 3. studying and recommending on major production and operation projects requiring approval of the Board;
 4. studying and recommending on other significant events that impact on the development of the Company;
 5. monitoring the implementation of the above matters; and
 6. attending to other matters as requested by the Board.

As at the date of this report, no deviation from the code provisions under the Code was found.

As at the date of this report, the Board comprises:

Yun Gongmin (Chairman, Non-executive Director), Chen Feihu (Vice Chairman, Non-executive Director), Meng Fanli (Vice Chairman, Non-executive Director), Chen Jianhua (Executive Director), Wang Yingli (Non-executive Director), Chen Bin (Non-executive Director), Zhong Tonglin (Executive Director), Chu Yu (Non-executive Director), Zhao Jinghua (Independent Non-executive Director), Ding Huiping (Independent Non-executive Director), Wang Chuanshun (Independent Non-executive Director) and Hu Yuanmu (Independent Non-executive Director).

Interim Financial Report (International)

CONSOLIDATED INCOME STATEMENT

for the six months ended 30 June 2008 (unaudited)

(Expressed in Renminbi)

		Six months ended 30 June	
	<i>Note</i>	2008	2007
		RMB'000	RMB'000
Turnover	4	13,694,353	8,538,701
Operating expenses			
Coal consumption		(10,226,643)	(4,828,048)
Depreciation and amortisation		(1,697,310)	(1,289,775)
Major overhaul expenses		(166,268)	(148,645)
Repairs and maintenance		(144,780)	(88,573)
Personnel costs		(571,894)	(458,351)
Administrative expenses		(392,956)	(265,985)
Sales related taxes		(112,473)	(92,306)
Other operating expenses		(221,398)	(175,412)
		<u>(13,533,722)</u>	<u>(7,347,095)</u>
Operating profit		160,631	1,191,606
Investment income		18,731	—
Other net income		113,745	16,689
Net finance costs	5	(1,122,468)	(561,479)
Share of (losses) less profits of associates		(533)	39,881
Share of profit of a jointly controlled entity		21,046	25,671
(Loss)/profit before taxation	6	(808,848)	712,368
Income tax credit/(charge)	7	228,848	(2,018)
(Loss)/profit for the period		<u>(580,000)</u>	<u>710,350</u>
Attributable to:			
Equity shareholders of the Company		(506,323)	543,451
Minority interests		(73,677)	166,899
(Loss)/profit for the period		<u>(580,000)</u>	<u>710,350</u>
Basic and diluted (losses)/earnings per share	9	<u>RMB(0.084)</u>	<u>RMB0.090</u>

The notes on pages 29 to 48 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED BALANCE SHEET

as at 30 June 2008 (unaudited)
(Expressed in Renminbi)

	Note	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Non-current assets			
Property, plant and equipment	10	50,835,791	52,434,812
Construction in progress	11	10,085,092	6,062,608
Lease prepayments		873,216	880,850
Intangible assets		44,431	44,431
Interest in associates		1,744,988	1,700,821
Interest in jointly controlled entity		215,654	218,228
Other investments		145,539	145,539
Investment deposit	12	1,044,455	—
Deferred tax assets		229,929	76,184
		<u>65,219,095</u>	<u>61,563,473</u>
Current assets			
Inventories		1,167,501	649,780
Deposits, other receivables and prepayments		948,575	367,749
Trade debtors and bills receivable	13	2,101,568	1,962,311
Tax recoverable		43,778	16,868
Restricted deposits	14	28,214	19,950
Cash and cash equivalents	15	2,685,606	1,373,289
		<u>6,975,242</u>	<u>4,389,947</u>
Current liabilities			
Bank loans	16	11,596,700	9,360,707
Loans from shareholders		800,000	—
State loans		9,848	10,095
Other loans	17	1,035,449	1,873,362
Short-term debenture payables	18	3,546,462	3,985,759
Amount due to holding company		16,130	16,080
Trade creditors and bills payable	19	5,424,506	6,486,646
Other payables		2,466,698	2,380,865
Tax payable		1,710	107,686
		<u>24,897,503</u>	<u>24,221,200</u>
Net current liabilities		<u>(17,922,261)</u>	<u>(19,831,253)</u>
Total assets less current liabilities carried forward		<u>47,296,834</u>	<u>41,732,220</u>

Interim Financial Report (International)

CONSOLIDATED BALANCE SHEET (Continued)

as at 30 June 2008 (unaudited)

(Expressed in Renminbi)

	Note	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Total assets less current liabilities brought forward		47,296,834	41,732,220
Non-current liabilities			
Bank loans	16	26,437,115	20,620,128
Loans from shareholders		1,235,000	1,235,000
State loans		53,150	60,732
Other loans	17	1,374,181	635,640
Deferred government grants		256,926	214,988
Deferred income	20	98,757	81,163
Deferred tax liabilities		688,377	741,887
		30,143,506	23,589,538
Net assets		17,153,328	18,142,682
Capital and reserves			
Share capital		6,021,084	6,021,084
Reserves		7,393,200	8,278,735
Total equity attributable to equity shareholders of the Company		13,414,284	14,299,819
Minority interests		3,739,044	3,842,863
Total equity		17,153,328	18,142,682

Interim Financial Report (International)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 30 June 2008 (unaudited)

(Expressed in Renminbi)

Note	Attributable to equity shareholders of the Company										Minority interests	Total equity
	Share capital	Capital reserve	Statutory surplus		Discretionary surplus	Revaluation reserve	Fair value reserve	Retained profits	Total	Minority interests		
			reserve	reserve								
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
Balance at 1 January 2008	6,021,084	1,897,919	1,404,520	68,089	44,726	—	4,863,481	14,299,819	3,842,863	18,142,682		
Capital injection from minority equity shareholders of subsidiaries	—	—	—	—	—	—	—	—	16,132	16,132		
Dividends approved for minority equity shareholders of subsidiaries	—	—	—	—	—	—	—	—	(46,274)	(46,274)		
Dividends approved for equity shareholders of the Company	8	—	—	—	—	—	(373,307)	(373,307)	—	(373,307)		
Changes in fair value of available-for-sale securities	—	—	—	—	—	(5,905)	—	(5,905)	—	(5,905)		
Loss for the period	—	—	—	—	—	—	(506,323)	(506,323)	(73,677)	(580,000)		
Balance at 30 June 2008	<u>6,021,084</u>	<u>1,897,919</u>	<u>1,404,520</u>	<u>68,089</u>	<u>44,726</u>	<u>(5,905)</u>	<u>3,983,851</u>	<u>13,414,284</u>	<u>3,739,044</u>	<u>17,153,328</u>		
Balance at 1 January 2007	6,021,084	1,897,919	1,453,842	68,089	44,726	—	3,990,606	13,476,266	2,371,637	15,847,903		
Transfer to statutory surplus reserve	—	—	6,720	—	—	—	(6,720)	—	—	—		
Acquisition of a subsidiary	—	—	—	—	—	—	—	—	1,338	1,338		
Capital injection from minority equity shareholders of subsidiaries	—	—	—	—	—	—	—	—	56,286	56,286		
Dividends approved for minority equity shareholders of subsidiaries	—	—	—	—	—	—	—	—	(13,518)	(13,518)		
Dividends approved for equity shareholders of the Company	8	—	—	—	—	—	(373,307)	(373,307)	—	(373,307)		
Profit for the period	—	—	—	—	—	—	543,451	543,451	166,899	710,350		
Balance at 30 June 2007	<u>6,021,084</u>	<u>1,897,919</u>	<u>1,460,562</u>	<u>68,089</u>	<u>44,726</u>	<u>—</u>	<u>4,154,030</u>	<u>13,646,410</u>	<u>2,582,642</u>	<u>16,229,052</u>		

Interim Financial Report (International)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 30 June 2008 (unaudited)

(Expressed in Renminbi)

		Six months ended 30 June	
		2008	2007
	Note	RMB'000	RMB'000
Net cash (used in)/generated from operating activities		(178,648)	2,179,028
Net cash used in investing activities		(6,650,962)	(5,336,013)
Net cash from financing activities		<u>8,141,927</u>	<u>2,929,629</u>
Increase/(decrease) in cash and cash equivalents		1,312,317	(227,356)
Cash and cash equivalents at 1 January		<u>1,373,289</u>	<u>962,183</u>
Cash and cash equivalents at 30 June	15	<u><u>2,685,606</u></u>	<u><u>734,827</u></u>

The notes on pages 29 to 48 form part of this interim financial report.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT*(Expressed in Renminbi)***1 Background**

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

The Company and its subsidiaries (the “Group”) are principally engaged in the generation of electricity and heat. All electricity generated is supplied to the local grid companies where the power plants are located.

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”). It was authorised for issuance on 28 August 2008.

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

In preparing this interim financial report, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the IASB. IFRS includes all applicable IFRS, IAS and related interpretations.

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

2 Basis of preparation *(Continued)*

IASB has issued a number of new and revised IFRS that are effective or available for early adoption for accounting periods beginning on or after 1 January 2008. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2008, on the basis of IFRS currently in issue, which directors believe, do not have a significant impact on the Group's prior year financial position and results of operations.

The IFRS that will be effective or are available for voluntary early adoption in the annual financial statements for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report. The Group has not applied any new standards or interpretations that are not yet effective for the current accounting period (see note 25).

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2007 annual financial statements.

The interim financial report set out on pages 24 to 48 is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 49.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements prepared under IFRS for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2007 are available from the Company's legal office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 25 March 2008.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**3 Changes in accounting estimates**

Pursuant to the State policy of energy saving and pollutant reduction, the Group carried out a review of the estimated useful lives of certain generators. As a result, the estimated useful lives of these generators were decreased.

The effect on depreciation expenses, recognised in cost of sales, in current and future periods is as follows:

	First half of 2008	Second half of 2008	2009	2010	Subsequent years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Increase/(decrease) in depreciation	<u>69,717</u>	<u>(9,960)</u>	<u>(19,919)</u>	<u>(19,919)</u>	<u>(19,919)</u>

4 Turnover

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Sale of electricity	13,427,544	8,356,965
Sale of heat	266,809	181,736
	<u>13,694,353</u>	<u>8,538,701</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**5 Net finance costs**

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Interest on bank and other loans	1,413,139	962,452
Less: Interest capitalised	(190,061)	(368,739)
Net interest expenses	1,223,078	593,713
Less: Interest income	(11,107)	(3,799)
Net foreign exchange gain	(89,503)	(37,171)
Net loss on derivative financial instruments	—	8,736
Net finance costs	1,122,468	561,479

The interest costs have been capitalised at an average rate of 6.53% per annum (six months ended 30 June 2007: 5.62%) for construction in progress.

6 (Loss)/profit before taxation

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Cost of inventories	10,615,658	5,139,497
Amortisation of intangible assets and lease prepayments	19,010	16,606
Depreciation	1,678,300	1,273,169
Dividend income	(18,731)	—
Share of associates' taxation	10,786	7,327
Share of jointly controlled entity's taxation	7,968	7
Profit on sale of property, plant and equipment	(74,824)	(5)

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**7 Income tax**

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Current tax		
Charge for the PRC enterprise income tax for the period	3,965	136,130
(Over)/under-provision in respect of previous years	<u>(25,558)</u>	<u>3,829</u>
	<u>(21,593)</u>	<u>139,959</u>
Deferred tax		
Deferred tax credit	(227,032)	(137,941)
Under-provision in respect of previous years	<u>19,777</u>	<u>—</u>
	<u>(207,255)</u>	<u>(137,941)</u>
Income tax (credit)/charge	<u>(228,848)</u>	<u>2,018</u>

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (six months ended 30 June 2007: 33%) on the estimated assessable profits of the Group for the six months ended 30 June 2008 determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company which are tax exempted or taxed at a preferential rate of 15%.

On 16 March 2007, the Tenth National People's Congress ("NPC") plenary session passed the enterprise income tax law ("New Tax Law") that imposes a single uniform income tax rate of 25% for most enterprises. According to the New Tax Law, except for a subsidiary of the Company which enjoys a preferential rate of 15% until 2010 and a subsidiary of the Company which is entitled to a tax holiday until 2009 followed by two years of 50% reduction in income tax payable, the Group's applicable income tax rate is changed from 33% to 25% since 1 January 2008.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

8 Dividends

(a) Dividends attributable to the interim period:

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2008 (six months ended 30 June 2007: RMB Nil).

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

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Final dividend in respect of the financial year ended 31 December 2007, approved during the following interim period, of RMB0.062 per share (year ended 31 December 2006: RMB0.062 per share)	<u>373,307</u>	<u>373,307</u>

No dividend was paid during the six months period ended 30 June 2008 (six months ended 30 June 2007: RMB134 million).

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)***9 (Losses)/earnings per share****(a) Basic (losses)/earnings per share**

The calculation of basic (losses)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2008 of RMB506,323,000 (six months ended 30 June 2007: profit attributable to ordinary equity shareholders of the Company of RMB543,451,000) and the number of shares in issue during the six months ended 30 June 2008 of 6,021,084,200 (six months ended 30 June 2007: 6,021,084,200).

(b) Diluted (losses)/earnings per share

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2007 and 2008.

10 Property, plant and equipment

During the six months ended 30 June 2008, the Group acquired items of property, plant and equipment of approximately RMB90 million (six months ended 30 June 2007: approximately RMB7,154 million), of which the portion acquired through transfer from construction in progress was approximately RMB72 million (six months ended 30 June 2007: approximately RMB7,119 million). Items of property, plant and equipment with net book value of approximately RMB11 million (six months ended 30 June 2007: approximately RMB519,000) were disposed of during the six months ended 30 June 2008.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**11 Construction in progress**

The acquisition and transfer of items of construction in progress during the six months ended 30 June 2007 and 2008 are as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Through acquisition of a subsidiary	—	794,031
Additions	4,094,477	7,097,359
Transfer to property, plant and equipment	(71,993)	(7,118,966)

12 Investment deposit

36

On 13 February 2008, the Company entered into an equity transfer agreement with the holding company, China Huadian Corporation (“China Huadian”), (the “Transfer Agreement”) pursuant to which, the Company agreed to acquire from China Huadian 64% equity interests in Hangzhou Huadian Banshan Power Generation Co., Ltd. (“Banshan Company”), 100% equity interests in Hebei Huadian Complex Pumping-Storage Power Co., Ltd. (“Hebei Company”), 82% equity interests in Hebei Huadian Shijiazhuang Thermal Power Co., Ltd. (“Shijiazhuang Company”) and 49% equity interests in Sichuan Za-gunao Hydroelectric Development Co., Ltd. (“Za-gunao Company”) for a total consideration of RMB2,047,950,000, which is determined with reference to an independent valuation as at a basis date of 30 September 2007. The final consideration to be settled is subject to adjustments for the operating results of the acquired entities between the basis date and the equity transfer date. The investment deposit of RMB1,044,455,000 represents the partial consideration paid to China Huadian pursuant to the Transfer Agreement.

Pursuant to relevant terms of the Transfer Agreement, the equity transfer date was 1 July 2008, being also the Company’s acquisition date of the acquired equity interests. Up to the date of this interim financial report, the adjustment to consideration is yet to be determined.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**13 Trade debtors and bills receivable**

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Trade debtors and bills receivable for sale of electricity	2,062,163	1,931,327
Trade debtors and bills receivable for sale of heat	62,496	49,054
Trade debtors and bills receivable for other operations	—	5,021
	2,124,659	1,985,402
Less: Allowance for doubtful debts	(23,091)	(23,091)
	2,101,568	1,962,311

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

The ageing analysis of trade debtors and bills receivable is as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Current	2,055,878	1,926,609
Within one year	20,019	12,611
Between one and two years	2,580	506
Between two and three years	7,188	6,682
More than three years	15,903	15,903
Amount past due	45,690	35,702
	2,101,568	1,962,311

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

14 Restricted deposits

Restricted deposits represent cash pledged as collateral for bills payable.

15 Cash and cash equivalents

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Cash at bank and in hand	2,680,144	1,367,622
Deposits with banks and other financial institutions	5,462	5,667
	<u>2,685,606</u>	<u>1,373,289</u>

16 Bank loans

All of the bank loans are unsecured, except for the total amount of RMB7,740,600,000 (31 December 2007: RMB6,780,000,000) in respect of certain subsidiaries, which is secured by the income stream in respect of the sales of electricity and trade debtors for the sales of electricity of these subsidiaries.

17 Other loans

Other loans included loans from China Huadian Finance Corporation Limited ("China Huadian Finance"), an associate of the Group, of RMB1,667,125,000 (31 December 2007: RMB1,856,012,000).

All of the other loans are unsecured, except for an amount of RMB80,400,000 (31 December 2007: RMB84,000,000) in respect of a subsidiary, which is secured by the income stream in respect of the sales of electricity of the subsidiary.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)***18 Short-term debenture payables**

On 8 May 2007, the Group issued short-term debentures of RMB4,000,000,000 at discount with a maturity period of 272 days in the PRC interbank debenture market. The unit par value is RMB100 and the issue price is RMB97.54. The short-term debentures were repaid on 5 February 2008.

On 17 March 2008, the Group issued short-term debentures of RMB1,000,000,000 and RMB2,500,000,000 at par with maturity period of 273 days and 365 days respectively in the PRC interbank debenture market.

19 Trade creditors and bills payable

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

20 Deferred income

Deferred income represents the unearned portion of upfront connection and installation fees received from customers for connecting the customers' premises to the heat network of the Group. The amount is deferred until completion of the installation work and recognised in profit or loss in equal instalments over the expected service terms of the relevant services.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**21 Material related party transactions****(a) Transactions with shareholders, fellow subsidiaries and associates**

- (i) Shareholders, fellow subsidiaries and associates that had material transactions with the Group are as follows:

<u>Name of related parties</u>	<u>Nature of relationship</u>
China Huadian	A shareholder of the Company
Shandong International Trust Corporation	A shareholder of the Company
China Huadian Engineering (Group) Corporation and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Finance	An associate of the Group
Huadian Coal Industry Group Company Limited	An associate of the Group
China Huadian Group New Energy Development Company Limited	An associate of the Group
CHD Power Plant Operation Company Limited ("CHD Operation")	A fellow subsidiary of the Company
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	An associate of the Group
Ningxia Power Generation (Group) Company Limited ("Ningxia Power Company")	An associate of the Group

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**21 Material related party transactions** (Continued)**(a) Transactions with shareholders, fellow subsidiaries and associates** (Continued)

- (ii) The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the six months ended 30 June 2007 and 2008:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Construction costs and equipment costs paid and payable to fellow subsidiaries	98,676	82,979
Interest expenses paid to shareholders	54,059	33,346
Interest expenses paid to associates	72,055	51,800
Interest expenses paid to a fellow subsidiary	995	—
Loans obtained from a shareholder	800,000	—
Loans obtained from associates	1,092,750	1,675,175
Loans repaid to associates	1,481,637	1,500,000
Service fee paid to an associate	26,163	15,230

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**21 Material related party transactions** (Continued)**(a) Transactions with shareholders, fellow subsidiaries and associates** (Continued)

- (iii) The balances due from/(to) shareholders, fellow subsidiaries and associates are as follows:

	Nature of transactions	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Prepayment to fellow subsidiaries	Construction and equipment costs	124,348	127,273
Amounts due to fellow subsidiaries	Construction and equipment costs	(24,720)	(45,351)
Amounts due to shareholders	Loan	(2,035,000)	(1,235,000)
Amounts due to associates	Loan	(1,967,125)	(2,356,012)
Amounts due to a fellow subsidiary	Loan	<u>(30,000)</u>	<u>(30,000)</u>

- (iv) On 26 September 2006, the Company entered into an investment agreement with China Huadian to acquire 95% equity interests in Anhui Huadian Wuhu Power Generation Company Limited for a consideration of RMB25,410,000. Pursuant to the investment agreement, the Company paid an investment deposit of RMB15,250,000 to China Huadian in 2006. In 2007, the Company paid the remaining RMB10,160,000 to China Huadian and the acquisition was completed.
- (v) In May 2007, the Company and China Huadian and its certain subsidiaries established CHD Operation. The Company contributed RMB5,000,000 for the 10% equity interests in CHD Operation.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)***21 Material related party transactions** *(Continued)***(a) Transactions with shareholders, fellow subsidiaries and associates** *(Continued)*

- (vi) On 13 February 2008, the Company entered into the Transfer Agreement with China Huadian to acquire its equity interests in certain entities from China Huadian and paid investment deposit according to the Transfer Agreement. Details have been set out in note 12.
- (vii) At 30 June 2008, Sichuan Guangan Power Generation Company Limited, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB110,000,000 (31 December 2007: RMB110,000,000).
- (viii) At 30 June 2008, Ningxia Zhongning Power Generation Company Limited, the jointly controlled entity of the Group, provided guarantees to bank for loans granted to Ningxia Power Company amounting to RMB37,500,000 (31 December 2007: RMB42,500,000).
- (ix) At 30 June 2008, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB220,000,000 (31 December 2007: RMB220,000,000).

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

21 Material related party transactions *(Continued)*

(b) Transactions with key management personnel

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

	Six months ended 30 June	
	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries and other emoluments	369	1,003
Retirement benefits	365	153
Bonuses	1,053	739
	1,787	1,895

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its staff. As at 30 June 2008, there was no material outstanding contribution to post-employment benefit plans.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)***21 Material related party transactions** *(Continued)***(d) Transactions with other state-controlled entities in the PRC**

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

Apart from transactions mentioned in notes 21(a), (b) and (c), the Group has transactions with other state-controlled entities include but not limited to the following:

- sales of electricity;
- depositing and borrowing money; and
- purchase of construction materials and receiving construction work services.

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**21 Material related party transactions** (Continued)**(d) Transactions with other state-controlled entities in the PRC**
(Continued)

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Sale of electricity to the grid	13,427,544	8,356,965
Interest expenses	912,874	607,480
Purchase of construction materials and receiving construction work service	3,805,740	6,645,641

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

	At 30 June	At 31 December
	2008	2007
	RMB'000	RMB'000
Receivables from sale of electricity	2,062,163	1,931,328
Loans payables	(29,467,297)	(23,240,767)
Cash at bank	2,189,589	1,239,188
Prepayments	3,515,023	1,512,190
Trade and other payables	(3,412,610)	(5,109,455)

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**22 Capital commitments**

- (a) The Group had capital commitments outstanding as at 30 June 2008 and 31 December 2007 not provided for as follows:

	At 30 June 2008 RMB'000	At 31 December 2007 RMB'000
Contracted for		
— Development of power plants	10,801,356	13,494,791
— Investments	1,280,184	113,200
— Technical improvement projects and others	483,476	180,413
	<u>12,565,016</u>	<u>13,788,404</u>
Authorised but not contracted for		
— Development of power plants	3,341,245	4,131,231
— Technical improvement projects and others	636,060	373,362
	<u>3,977,305</u>	<u>4,504,593</u>
	<u>16,542,321</u>	<u>18,292,997</u>

- (b) The Group did not have significant proportionate share of the jointly controlled entity's capital expenditure commitments as at 30 June 2008 and 31 December 2007.

23 Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2008 and 31 December 2007, except for guarantees provided by the Group as disclosed in note 21(a)(vii) and note 21(a)(viii).

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

24 Segment reporting

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

25 Possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ending 31 December 2008

Up to the date of issue of this financial report, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008 and which have not been adopted in the interim financial report.

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

Interim Financial Report (International)

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

We have reviewed the interim financial report set out on pages 24 to 48 which comprises the consolidated balance sheet of Huadian Power International Corporation Limited as at 30 June 2008 and the related consolidated statements of income and changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim financial reporting".

KPMG

Certified Public Accountants

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

28 August 2008

Interim Financial Report (PRC)

CONSOLIDATED BALANCE SHEET

as at 30 June 2008 (unaudited)

(Expressed in Renminbi'000)

ASSETS	<i>Note</i>	30 June 2008	31 December 2007
Current assets			
Cash at bank and on hand	7	2,713,820	1,393,239
Bills receivable	8	185,310	271,011
Trade receivables	9	1,916,258	1,691,300
Prepayments	10	541,384	260,973
Other receivables	11	150,370	21,947
Inventories	12	1,167,501	649,780
Total current assets		6,674,643	4,288,250
Non-current assets			
Long-term equity investments	13	2,106,181	2,064,588
Investment deposit	14	1,044,455	—
Fixed assets	15	50,835,119	52,433,054
Construction in progress	16	6,096,913	3,779,818
Construction materials	16	318,122	612,641
Construction and construction material prepayments		3,639,371	1,639,463
Intangible assets	17	767,591	772,226
Goodwill	18	37,511	37,511
Deferred tax assets	19	423,107	125,643
Total non-current assets		65,268,370	61,464,944
Total assets		71,943,013	65,753,194

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of the accounting affairs*

Chen Cunlai
*Head of accounting
department*

The notes on pages 69 to 197 form part of these financial statements.

Interim Financial Report (PRC)

CONSOLIDATED BALANCE SHEET *(Continued)*

as at 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Note</i>	30 June 2008	31 December 2007
Current liabilities			
Short-term loans	22	10,466,465	9,524,192
Bills payable	23	1,326,588	2,345,934
Trade payables	24	4,097,918	4,140,712
Wages payable	25	35,738	95,652
Taxes payable	5(3)	(89,680)	337,613
Other payables	26	2,237,881	1,969,669
Short-term debenture payables	27	3,546,462	3,985,759
Long-term loans due within one year	28	2,975,532	1,719,972
Total current liabilities		24,596,904	24,119,503
Non-current liabilities			
Long-term loans	29	29,099,446	22,551,500
Special payables		6,250	—
Deferred tax liabilities	19	850,679	759,728
Other non-current liabilities		171,463	112,708
Total non-current liabilities		30,127,838	23,423,936
Total liabilities		54,724,742	47,543,439

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Interim Financial Report (PRC)

CONSOLIDATED BALANCE SHEET (Continued)

as at 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)	<i>Note</i>	30 June 2008	31 December 2007
Shareholders' equity			
Share capital	30	6,021,084	6,021,084
Capital reserve	31(a)	2,056,001	2,061,906
Surplus reserves	31(b)	1,472,609	1,472,609
Retained profits		3,899,092	4,780,035
Total equity attributable to equity shareholders of the Company		13,448,786	14,335,634
Minority interests		3,769,485	3,874,121
Total shareholders' equity		17,218,271	18,209,755
Total liabilities and shareholders' equity		71,943,013	65,753,194

These financial statements were approved by the Board of Directors on 28 August 2008.

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Interim Financial Report (PRC)

BALANCE SHEET

as at 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

ASSETS	<i>Note</i>	30 June 2008	31 December 2007
Current assets			
Cash at bank and on hand	7	1,121,592	1,077,873
Bills receivable	8	—	5,021
Trade receivables	9	149,192	57,385
Prepayments	10	213,775	222,035
Other receivables	11	992,304	41,751
Inventories	12	388,716	195,283
Total current assets		2,865,579	1,599,348
Non-current assets			
Long-term equity investments	13	9,757,411	9,446,318
Investment deposit	14	1,044,455	—
Fixed assets	15	9,448,333	9,928,732
Construction in progress	16	622,904	473,285
Construction and construction material prepayment		967,615	508,471
Intangible assets	17	162,599	169,053
Goodwill	18	12,111	12,111
Deferred tax assets	19	78,576	21,226
Total non-current assets		22,094,004	20,559,196
Total assets		24,959,583	22,158,544

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Interim Financial Report (PRC)

BALANCE SHEET *(Continued)*

as at 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>Note</i>	30 June 2008	31 December 2007
Current liabilities			
Short-term loans	22	4,204,846	1,906,972
Bills payable	23	920,000	822,494
Trade payables	24	206,177	198,881
Wages payable	25	8,264	34,949
Taxes payable	5(3)	12,316	209,436
Other payables	26	994,446	516,811
Short-term debenture payables	27	3,546,462	3,985,759
Long-term loans due within one year	28	936,668	217,559
Total current liabilities		10,829,179	7,892,861
Non-current liabilities			
Long-term loans	29	1,580,650	1,368,692
Special payables		3,170	—
Deferred tax liabilities	19	98,035	62,280
Total long-term liabilities		1,681,855	1,430,972
Total liabilities		12,511,034	9,323,833

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Interim Financial Report (PRC)

BALANCE SHEET *(Continued)*

as at 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY (Continued)	<i>Note</i>	30 June 2008	31 December 2007
Shareholders' equity			
Share capital	30	6,021,084	6,021,084
Capital reserve	31(a)	1,942,097	1,948,002
Surplus reserves	31(b)	1,472,609	1,472,609
Retained profits		3,012,759	3,393,016
Total shareholders' equity		12,448,549	12,834,711
Total liabilities and shareholders' equity		24,959,583	22,158,544

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Interim Financial Report (PRC)

CONSOLIDATED INCOME STATEMENT

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Operating income	33	13,754,817	8,575,132
Less: Operating costs	34	(13,043,059)	(6,967,588)
Sales taxes and surcharges	35	(113,017)	(92,492)
Administrative expenses		(411,005)	(278,355)
Finance expenses	36	(1,122,468)	(561,479)
Add: Investment income	37	39,244	66,292
Including: investment income from associates and jointly controlled entity		20,513	66,292
Operating (loss)/profit		(895,488)	741,510
Add: Non-operating income		89,899	1,494
Less: Non-operating expenses		(4,647)	(924)
Total (loss)/profit		(810,236)	742,080
Less: Income tax	38	228,106	(7,455)
Net (loss)/profit		(582,130)	734,625

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Interim Financial Report (PRC)

CONSOLIDATED INCOME STATEMENT *(Continued)*

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Including: net (loss)/profit attributable to equity shareholders of the Company		(507,636)	565,421
minority interests		(74,494)	169,204
(Losses)/earnings per share (RMB):			
Basic (losses)/earnings per share		<u>(0.084)</u>	<u>0.094</u>
Diluted (losses)/earnings per share		<u>(0.084)</u>	<u>0.094</u>

These financial statements were approved by the Board of Directors on 28 August 2008.

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Interim Financial Report (PRC)

INCOME STATEMENT

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Operating income	33	4,211,557	3,932,708
Less: Operating costs	34	(4,043,486)	(3,224,087)
Sales taxes and surcharges	35	(35,537)	(43,750)
Administrative expenses		(160,822)	(153,908)
Finance expenses	36	(183,627)	(182,979)
Add: Investment income	37	110,891	79,950
Including: investment income from associates and jointly controlled entity		20,513	66,292
Operating (loss)/profit		(101,024)	407,934
Add: Non-operating income		47,284	277
Less: Non-operating expenses		(914)	(380)
Total (loss)/profit		(54,654)	407,831
Less: Income tax	38	47,704	(81,785)
Net (loss)/profit		(6,950)	326,046

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Interim Financial Report (PRC)

CONSOLIDATED CASH FLOW STATEMENT

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Cash flow from operating activities:			
Cash received from sales of electricity and heat		15,513,998	10,285,548
Other cash received relating to operating activities		87,164	140,372
Sub-total of cash inflow from operating activities		15,601,162	10,425,920
Cash paid for goods and services		(11,984,072)	(5,347,824)
Cash paid to and for employees		(633,321)	(560,092)
Cash paid for all types of taxes		(1,520,835)	(1,229,486)
Other cash paid relating to operating activities		(326,545)	(175,624)
Sub-total of cash outflow from operating activities		(14,464,773)	(7,313,026)
Net cash flow from operating activities	39(1)	1,136,389	3,112,894

Yun Gongmin
Legal representative

Zhu Fangxin
Person in charge
of the accounting affairs

Chen Cunlai
Head of accounting
department

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Cash flow from investing activities:			
Cash received from disposal of fixed assets, intangible assets and other long-term assets		774	—
Cash received from investment income		27,729	55,748
Other cash received relating to investing activities		11,158	113,700
Sub-total of cash inflow from investing activities		39,661	169,448
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(5,586,563)	(5,487,054)
Cash paid for acquisitions of investments		(1,104,060)	(15,160)
Other cash paid relating to investing activities		—	(3,247)
Sub-total of cash outflow from investing activities		(6,690,623)	(5,505,461)
Net cash flow from investing activities		(6,650,962)	(5,336,013)

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The notes on pages 69 to 197 form part of these financial statements.

Interim Financial Report (PRC)

CONSOLIDATED CASH FLOW STATEMENT (Continued)

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Cash flow from financing activities:			
Proceeds from investments		10,632	56,286
Including: proceeds from investments from minority shareholders of subsidiaries		10,632	56,286
Proceeds from borrowings		25,309,824	16,868,977
Decrease in guarantee deposits of bank acceptance bills		11,736	280,697
Other cash received relating to financing activities		313,203	154,243
Sub-total of cash inflow from financing activities		25,645,395	17,360,203

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Interim Financial Report (PRC)

CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Repayment of borrowings		(16,975,555)	(14,308,754)
Cash paid for dividends, profits or interest		(1,335,812)	(1,071,793)
Including: dividends and profits paid to minority shareholders		(20,775)	(7,497)
Increase in guarantee deposits of bank acceptance bills		(20,000)	—
Other cash paid relating to financing activities		(487,138)	(38,924)
Sub-total of cash outflow from financing activities		(18,818,505)	(15,419,471)
Net cash flow from financing activities		6,826,890	1,940,732
Net increase/(decrease) in cash and cash equivalents		1,312,317	(282,387)
Add: Cash and cash equivalent at the beginning of the period		1,373,289	1,017,214
Cash and cash equivalent at the end of the period	39(2)	2,685,606	734,827

These financial statements were approved by the Board of Directors on 28 August 2008.

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The notes on pages 69 to 197 form part of these financial statements.

Interim Financial Report (PRC)

CASH FLOW STATEMENT

for the six months ended (unaudited)
from 1 January 2008 to 30 June 2008
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Cash flow from operating activities:			
Cash received from sales of electricity and heat		4,811,844	4,672,696
Other cash received relating to operating activities		52,035	4,091
Sub-total of cash inflow from operating activities		4,863,879	4,676,787
Cash paid for goods and services		(4,412,123)	(2,636,334)
Cash paid to and for employees		(242,057)	(310,542)
Cash paid for all types of taxes		(553,691)	(612,534)
Other cash paid relating to operating activities		(148,336)	(140,213)
Sub-total of cash outflow from operating activities		(5,356,207)	(3,699,623)
Net cash flow from operating activities	39(1)	(492,328)	977,164

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Interim Financial Report (PRC)

CASH FLOW STATEMENT *(Continued)*

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Cash flow from investing activities:			
Cash received from investment income		72,376	69,405
Other cash received relating to investing activities		4,905	11,733
Sub-total of cash inflow from investing activities		77,281	81,138
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(908,678)	(748,808)
Cash paid for acquisitions of investments		(1,373,560)	(798,337)
Other cash paid relating to investing activities		(9,198)	(1,531)
Sub-total of cash outflow from investing activities		(2,291,436)	(1,548,676)
Net cash flow from investing activities		(2,214,155)	(1,467,538)

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The notes on pages 69 to 197 form part of these financial statements.

Interim Financial Report (PRC)

CASH FLOW STATEMENT *(Continued)*

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Cash flow from financing activities:			
Proceeds from borrowings		13,002,824	7,937,557
Other cash received relating to financing activities		103,170	614,914
Sub-total of cash inflows		13,105,994	8,552,471
Repayment of borrowings		(10,100,631)	(8,041,850)
Cash paid for dividends, profits or interest		(212,219)	(371,855)
Increase in guarantee deposits for bank acceptance bills		—	(67)
Other cash paid relating to financing activities		(42,942)	(31,478)
Sub-total of cash outflows		(10,355,792)	(8,445,250)

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Interim Financial Report (PRC)

CASH FLOW STATEMENT *(Continued)*

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	Note	Six months ended 30 June	
		2008	2007
Net cash flow from financing activities		2,750,202	107,221
Net increase/(decrease) in cash and cash equivalents		43,719	(383,153)
Add: Cash and cash equivalent at the beginning of the period		1,077,873	576,670
Cash and cash equivalent at the end of the period	39(2)	1,121,592	193,517

These financial statements were approved by the Board of Directors on 28 August 2008.

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Interim Financial Report (PRC)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	1 January 2008 to 30 June 2008						1 January 2007 to 30 June 2007							
	Attributable to equity shareholders of the Company					Minority interest	Attributable to equity shareholders of the Company					Minority interest	Total equity	
	Share capital	Capital reserve	Surplus reserve	Retained profits	Sub-total		Share capital	Capital reserve	Surplus reserve	Retained profits	Sub-total			
Opening balance														
of the period	6,021,084	2,061,906	1,472,609	4,780,035	14,335,634	3,874,121	18,209,755	6,021,084	2,072,416	1,379,790	4,019,891	13,493,181	2,407,099	15,900,280
Changes in amount during														
the period														
Net (loss)/profit	—	—	—	(507,636)	(507,636)	(74,494)	(582,130)	—	—	—	565,421	565,421	169,204	734,625
Capital injection from minority shareholders to subsidiaries	—	—	—	—	—	16,132	16,132	—	—	—	—	—	56,286	56,286
Capital contribution by the state	—	—	—	—	—	—	—	—	15,640	—	—	15,640	—	15,640
Adjustment on capital reserve of business combination involving entities under common control	—	—	—	—	—	—	—	—	(25,410)	—	—	(25,410)	—	(25,410)
Profit and loss directly attributable to shareholders' equity														
- Effect on other changes in shareholders' equity of the investee unit under equity method	—	(5,905)	—	—	(5,905)	—	(5,905)	—	(740)	—	—	(740)	—	(740)
Profit appropriation	—	—	—	(373,307)	(373,307)	(46,274)	(419,581)	—	—	—	(373,307)	(373,307)	(13,518)	(386,825)
Closing balance														
of the period	6,021,084	2,056,001	1,472,609	3,899,092	13,448,786	3,769,465	17,218,271	6,021,084	2,061,906	1,379,790	4,212,005	13,674,785	2,619,071	16,293,856

These financial statements were approved by the Board of Directors on 28 August 2008.

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The notes on pages 69 to 197 form part of these financial statements.

Interim Financial Report (PRC)

STATEMENT OF CHANGES IN EQUITY

for the six months ended
from 1 January 2008 to 30 June 2008 (unaudited)
(Expressed in Renminbi'000)

	1 January 2008 to 30 June 2008					1 January 2007 to 30 June 2007				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
Opening balance of the period	6,021,084	1,948,002	1,472,609	3,393,016	12,834,711	6,021,084	1,954,966	1,379,790	2,930,960	12,286,800
Changes in amount during the period										
Net (loss)/profit	—	—	—	(6,950)	(6,950)	—	—	—	326,046	326,046
Adjustment on capital reserve of business combination involving entities under common control	—	—	—	—	—	—	(21,864)	—	—	(21,864)
Capital contribution by the state	—	—	—	—	—	—	15,640	—	—	15,640
Profit and loss directly attributable to shareholders' equity										
— Effect on other changes in shareholders' equity of the investee unit under equity method	—	(5,905)	—	—	(5,905)	—	(740)	—	—	(740)
Profit appropriation	—	—	—	(373,307)	(373,307)	—	—	—	(373,307)	(373,307)
Closing balance of the period	<u>6,021,084</u>	<u>1,942,097</u>	<u>1,472,609</u>	<u>3,012,759</u>	<u>12,448,549</u>	<u>6,021,084</u>	<u>1,948,002</u>	<u>1,379,790</u>	<u>2,883,699</u>	<u>12,232,575</u>

These financial statements were approved by the Board of Directors on 28 August 2008.

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The notes on pages 69 to 197 form part of these financial statements.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS*(Expressed in Renminbi)***1 Company status**

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

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

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

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

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

1 Company status *(Continued)*

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

Pursuant to Guo Zi Chan Quan [2006] No.700 “Notice on Approval of the Share Reform of Huadian Power International Corporation Limited” issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented a share reform (the “Share Reform”) on 28 July 2006. All holders of non-circulating shares transferred 3 shares for every 10 shares held by the registered holders of circulating A shares as at the book closing date of the implementation of the Share Reform (28 July 2006) as consideration, totalling 170,700,000 domestic shares. Effective from 1 August 2006, all domestic shares of the Company became eligible for listing and circulation on the Shanghai Stock Exchange. However, the 3,449,157,304 original domestic shares held by the original domestic shareholders are not yet circulated on 31 December 2007 due to restriction for disposal imposed on these shares.

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

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

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***2 Basis of preparation of financial statements****(1) Statement of Compliance with the Accounting Standards for Business Enterprises**

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

These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No.15 — General Requirements for Financial Reports” revised by the China Securities Regulatory Commission (CSRC) in 2007.

(2) Accounting year

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

(3) Measurement Attributes

The measurement basis used in the preparation of the Company’s financial statements is the historical cost basis, except that the assets and liabilities set out below:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading) (see note 3(11)(a))
- Available-for-sale financial assets (see note 3(11)(a))

(4) Functional and presentation currency

The Company’s functional currency is Renminbi. These financial statements are presented in Renminbi.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies

(1) Business combination and consolidated financial statements

(a) Business combination involving entities under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory. The assets and liabilities obtained are measured at the acquiree's carrying amounts as recorded by the enterprise being absorbed at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the total face value of shares issued) is adjusted to share premiums in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained earnings. The combination date is the date on which the acquirer effectively obtains control of the acquiree.

(b) Business combination involving entities not under common control

A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. The cost of a business combination paid by the Group is the aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, and the equity securities issued by the Group, in exchange for control of the acquiree plus any cost directly attributable to the business combination. The difference between the fair value and the carrying amount is recognised in the income statement. The purchase date is the date on which the Group effectively obtains control of the acquiree.

The Group allocates the cost of a business combination at the acquisition date by recognising the fair value of the acquiree's various identifiable assets, liabilities or contingent liabilities as they are acquired.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(1) Business combination and consolidated financial statements**
(Continued)

- (b) Business combination involving entities not under common control
(Continued)

Any excess of the cost of a business combination over the Group's interest in the fair value of the acquired identifiable net assets is recognised as goodwill (see note 3(9)).

Any excess of the Group's interest in the fair value of the acquiree's identifiable net assets over the cost of a business combination is recognised in profit or loss.

- (c) Consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where the Company combines a subsidiary during the reporting period through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts in the subsidiary's financial statements, from the date that common control was established.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(1) Business combination and consolidated financial statements
(Continued)

(c) Consolidated financial statements *(Continued)*

Where the Company acquires a subsidiary during the reporting period through a business combination involving entities not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, base on the fair value of those identifiable assets and liabilities at the acquisition date.

Minority interests are presented separately in the consolidated balance sheet within equity. Net profit or loss attributable to minority shareholders is presented separately in the consolidated income statement below the net profit line item.

Where the amount of losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the equity of the subsidiary, the excess, and any further losses attributable to the minority shareholders, are allocated against the equity attributable to the Company except to the extent that the minority shareholders have a binding obligation under the articles of association or an agreement and are able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the equity attributable to the Company until the minority shareholders' share of losses previously absorbed by the Company has been recovered.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(1) Business combination and consolidated financial statements** *(Continued)***(c) Consolidated financial statements** *(Continued)*

When the accounting period or accounting policies of a subsidiary are different from those of the Company, the Company makes necessary adjustments to the financial statements of the subsidiary based on the Company's own accounting period or accounting policies. Intra-group balances and transactions, and any unrealised profit or loss arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

(2) Translation of foreign currencies

When the Group receives capital in foreign currencies from investors, the capital is translated to renminbi at the spot exchange rate on the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions. A spot exchange rate is an exchange rate quoted by the People's Bank of China, the State Administration of Foreign Exchange.

Monetary items denominated in foreign currencies are translated to renminbi at the spot exchange at the balance sheet date. The resulting exchange differences are recognised in profit or loss, except those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction of qualifying assets (see Note 3(17)). Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to Renminbi using the foreign exchange rate at the transaction date. Non-monetary items denominated in foreign currencies that are measured at fair value are translated using the foreign exchange rate at the date the fair value is determined; the exchange differences are recognised in profit or loss, except for the differences arising from the translation of available-for-sale financial assets, which is recognised in capital reserve.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(3) Cash and cash equivalents

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

(4) Inventories

Inventories, comprising coal, fuel oil, materials, components and spare parts for consumption by power plants, are carried at the lower of cost and net realisable value.

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

Any excess of cost over the net realisable value of each class of inventories is recognised a provision for diminution in the value of inventories. Net realisable value is the estimated selling price of the good produced less the estimated cost to be incurred to complete the production during the normal production process, the estimated selling costs and related taxes.

The Group maintains a perpetual inventory system.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(5) Long-term equity investments****(a) Investment in subsidiaries**

In the Group's consolidated financial statements, investment in subsidiaries are accounted for in accordance with the principles described in note 3(1)(c).

In the Company's financial statement, investment in subsidiaries are accounted for using the cost method. The investments are stated at cost less impairment losses (see note 3(10)) in the balance sheet. At initial recognition, such investments are measured as follows:

- The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the absorbing enterprise's share of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.
- The initial investment cost of a long-term equity investment obtained through a business combination involving entities not under common control is the cost of acquisition determined at the acquisition date.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

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

(a) Investment in subsidiaries *(Continued)*

- An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by investors. For a long-term equity investment acquired through an exchange of non-monetary assets, the initial cost should be recognised at the fair value of the exchanged assets and the amount of related taxation payables.

(b) Investment in jointly controlled entities and associates

A jointly controlled entity is an enterprise which operates under joint control in accordance with a contractual agreement between the Group and other parties. Joint control is the contractual agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control.

An associate is an enterprise over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control over those policies.

An investment in a jointly controlled entity or an associate is accounted for using the equity method. At year-end, the Group makes provision for impairment loss of investments in jointly controlled entities and associates (see note 3(10)).

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(5) Long-term equity investments** *(Continued)***(b) Investment in jointly controlled entities and associates** *(Continued)*

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

The Group makes the following accounting treatments when using the equity method:

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

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

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

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

The Group makes the following accounting treatments when using the equity method: *(Continued)*

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

The Group's entitlement or assumed share of the investee units' realised net profits or losses is measured at the fair value of the investee units' various identifiable assets at the time of investment. Where the accounting policies and the accounting periods of the investee units differ from those of the Group, necessary adjustments are made to the investee units' financial statements in accordance with the Group's accounting policies and accounting period using the equity method. Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated for the part attributable to the Group calculated based on its share of the associates or jointly controlled entities. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(5) Long-term equity investments** *(Continued)***(b) Investment in jointly controlled entities and associates** *(Continued)*

The Group makes the following accounting treatments when using the equity method: *(Continued)*

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

(c) Other long-term investments

Other long-term equity investments refer to investments for which the Group does not have the right to control, have joint control, or exercise significant influence over the investees, and for which the investments are not quoted in an active market and their fair value cannot be reliably measured.

The initial cost of investment in these enterprises is initially recognised in accordance with the same principle as the initial investment cost and measurement principles for jointly controlled entities and associates and then accounted for using the cost method. At year-end, provision for impairment loss on such investment is made in accordance with note 3(11).

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(6) Fixed assets and construction in progress

Fixed assets represent the tangible assets held by the Group for use in the generation of electricity and heat and for administrative purposes with useful lives over one year.

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

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see note 3(17)), and any other costs directly attributable to bringing the asset to working condition for its intended use.

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

Where the individual component parts of an item of fixed asset have different useful lives or provide benefits to the Group in different patterns thus necessitating use of different depreciation rates or methods, they are recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**3 The principal accounting policies** (Continued)**(6) Fixed assets and construction in progress** (Continued)

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

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

Useful lives, residual values and depreciation methods are reviewed, at least, at each year-end.

(7) Operating lease charges

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

(8) Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and provision for impairment losses (see note 3(10)). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortized on the straight-line method over its estimated useful life. Land use rights have an amortisation period based on the stated in land use right certificates.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. At the balance sheet date, the Group doesn't have any intangible assets with indefinite useful lives.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(9) Goodwill

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net asset acquired at the date of exchange.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see note 3(10)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(10) Impairment of non-financial long-term assets

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- construction materials
- intangible assets
- long-term equity investments in subsidiaries, associates and jointly controlled entities

If any indication exists that an assets may be impaired, recoverable amount of the asset is estimated. In addition, for goodwill, the Group estimates the recoverable amounts of goodwill at least each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is tested for impairment together with its related asset groups or sets of asset groups.

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NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(10) Impairment of non-financial long-term assets** *(Continued)*

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

The recoverable amount of an asset (or asset group or set of asset groups, same as below) is the higher of the net amount of its fair value less the costs of disposal, and the present value of its estimated future cash flows.

The net amount of the asset's fair value less the costs of disposal is dependent on the agreed selling price in fair trade less the costs of disposal directly attributable to the asset. Based on the estimated future cash flows generated through the process of continuous use and the assets' later disposal, and after factors such as the estimated future cash flows, the useful life, and discount rate have been considered, the present value of the asset's estimated future cash flows is calculated, after it has been discounted using the appropriate pre-tax discount rate.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in profit or loss. A provision for impairment loss of the asset is recognised accordingly. Impairment losses related to an asset group or a set of asset groups first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, that the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

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

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(11) Financial instruments

The Group's financial instruments comprise cash at bank and on hand, receivables, payables, loans, short-term debenture payables and share capital, etc.

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

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

the Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any attributable transaction costs are included in their initial costs. Subsequent to initial recognition financial assets and liabilities are measured as follow:

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NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(11) Financial instruments** *(Continued)*(a) Recognition and measurement of financial assets and financial liabilities *(Continued)*

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

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

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

- Receivables

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

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

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

- (a) Recognition and measurement of financial assets and financial liabilities *(Continued)*

— Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are stated at amortised cost using the effective interest method.

— Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sales and other financial assets which do not fall into any of the above categories.

An investment in equity instrument which does not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured at cost subsequent to initial recognition.

Besides investments in equity instruments whose fair value cannot be measured reliably as described above, subsequent to initial recognition, other available-for-sale financial assets are measured at fair value and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, which are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is removed from equity and recognised in profit or loss.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(11) Financial instruments** *(Continued)*

- (a) Recognition and measurement of financial assets and financial liabilities *(Continued)*

— Other financial liabilities

Other financial liabilities are financial liabilities aside from those measured at fair value, with changes in the fair value charged to profit and loss.

Among other financial liabilities, financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles of contingent liabilities (see note 3(14)).

Except for the other financial liabilities described above, subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(b) Impairment of financial assets

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

— Receivables and held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis. Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable or held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observative figures reflecting present economic conditions.

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

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(11) Financial instruments** *(Continued)***(b) Impairment of financial assets** *(Continued)*

- Available-for-sale financial assets and other long-term equity investments

Available-for-sale financial assets and other long-term equity investments are assessed for impairment on an individual basis.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is removed from equity and recognised in profit or loss even through the financial asset has not been derecognised.

If after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

For other long-term equity investments (see note 3(5)(c)), the amount of the impairment loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(11) Financial instruments *(Continued)*

(c) Determination of fair value

If there is an active market for a financial asset or financial liability, the quoted prices in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price and, for a financial asset to be acquired or a financial liability assumed, it is the current asking price.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. The Group calibrates the valuation technique and tests it for validity periodically.

(d) De-recognition of financial assets and financial liabilities

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

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(11) Financial instruments** *(Continued)***(d) De-recognition of financial assets and financial liabilities** *(Continued)*

Where the entire transfer of financial assets meets conditions of the de-cognition, the difference between the two amounts below is recognised in profit or loss:

- the carrying amount of the financial asset transferred
- the sum of the consideration received from the transfer and the cumulative gain or loss that have been recognised directly in shareholders' equity

Where the underlying present obligations for financial liabilities are completely or partially discharged, the entire or part financial liabilities are de-recognised.

(e) Equity instruments

An equity instrument is any contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

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

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(12) Employee benefits

Employee benefits are all forms of considerations given and other related expenditures incurred in exchange for services rendered by employees. Except for termination benefits, employee benefits are recognised as a liability in the period in which the associated services are rendered by employees, with a corresponding increase in cost of relevant assets or expenses in the current period.

(a) Retirement benefits

Pursuant to the relevant laws and regulations in the PRC, the Group has joined a defined contribution basic retirement plan for employees set up by the Local Labour and Social Security Bureaus. The Group contributes to the retirement scheme in accordance with the contribution base and proportions set by the local government. In addition, the Group and its employees have joined a supplementary retirement plan managed by China Huadian. The contributions are charged to the profit or loss on an accrual basis. When employees retire, the Local Labour and Social Security Bureau and China Huadian are responsible for paying the basic and supplementary retirement benefit to the retired employees. The Group does not have any other obligations in this respect.

(b) Housing fund and other social insurances

Besides the retirement benefits, the Group pays toward a housing fund and other social insurances covering basic medical care, unemployment, work injury and maternity, etc. for its employees in accordance with relevant laws and regulations of the PRC. The Group makes monthly contributions to the housing fund and the above social insurances based on the employees' salaries. The contributions are charged to the profit or loss on an accrual basis.

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NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(13) Income tax**

Current tax and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable calculated at the applicable tax rate on taxable income for the year, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases which include the deductible losses and tax credits carry forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is realised or the liability is settled in accordance with tax laws.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(14) Provisions and contingent liabilities

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

In terms of a possible obligation resulting from a past transaction or event whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events, or a present obligation resulting from a past transaction or event, where it is not probable that the settlement of the above obligation will cause an outflow of economic benefits, or the amount of the outflow cannot be estimated reliably, the possible or present obligation is disclosed as a contingent liability.

(15) Revenue recognition

Revenue is the gross inflow of economic benefits in the periods arising in the course of the Group's ordinary activities, which causes shareholders' equity to increase but is unrelated to a shareholder's injection of capital. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met:

(a) Electricity income

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

(b) Heat income

Heat income is recognised when heat is supplied to customers.

(c) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable effective interest rate.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(16) Government grants**

Government grants are transfers of monetary assets or non-monetary assets that the Group receives from the government to the Group at no consideration except for capital contribution from the government as a shareholder of the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of “capital reserve” are dealt with as capital contributions, and not regarded as government grants.

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

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

The asset-related government grants received are recognised as deferred income, and amortised to the profit or loss on a straight-line basis over the assets' useful lives. Revenue-related government grants are recognised initially as deferred income, and recognised in profit or loss in the same period in which the expenses are recognised or directly recognised in profit or loss if the grants compensate the Group for expenses or losses incurred.

(17) Borrowing costs

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

Except for the above, other borrowing costs are recognised as financial expenses when incurred.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(17) Borrowing costs *(Continued)*

In the capitalisation period, the amount of interest (including the amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- For the specific borrowings for the acquisition or construction of a qualifying asset, the interest expenditures are calculated using the effective interest rates during the period less any interest income on the deposit of the unused borrowings in banks, or any investment income on the temporary investment of those borrowings.
- For the general borrowings for the acquisition or construction of a qualifying asset, the amount of interest eligible for capitalisation is calculated by multiplying the weighted average of the excess of accumulated expenditures on the asset over special borrowings with the capitalisation rate of general borrowings. The capitalisation rate is the weighted average of general borrowing costs using the effective interest rate.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the carrying amount of the borrowings.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition or construction that are necessary to prepare the asset for its intended use, and ceases when the assets become ready for their intended use or sale. Capitalisation of borrowing costs is suspended when the acquisition or construction activities are interrupted abnormally and the interruption lasts over three months.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(18) Dividends appropriated to investors**

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

(19) Related parties

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

- (a) the Company's parent company;
- (b) the Company's subsidiaries;
- (c) enterprises that are controlled by the Company's parent;
- (d) investors that have joint control over the Group;
- (e) investors that exercise significant influence over the Group;
- (f) joint ventures of the Group;
- (g) associates of the Group;
- (h) principal individual investors and close family members of such individuals;
- (i) key management personnel of the Group and close family members of such individuals;
- (j) key management personnel from the Company's parent;

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

3 The principal accounting policies *(Continued)*

(19) Related parties *(Continued)*

- (k) close family members of key management personnel from the Company's parent; and
- (l) other enterprises that are controlled, jointly controlled or significantly influenced by principal individuals investors, key management personnel of the Group, and close family members of such individuals.

Besides the related parties stated above determined in accordance with the requirements of CAS (2006), the following enterprises and individuals are considered as (but not restricted to) related parties based on the disclosure requirements of Administrative Procedures on the Information Disclosure of Listed Companies issued by the CSRC:

- (m) enterprises that hold 5% or more of the Company's shares or persons that act in concert;
- (n) individuals who directly or indirectly hold 5% or more of the Company's shares or persons that act in concert;
- (o) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;
- (p) individuals who satisfy any of the aforesaid conditions in (i), (j), and (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and
- (q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n), or (p), or in which such individual assumes the position of a director or senior executive.

Interim Financial Report (PRC)

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***3 The principal accounting policies** *(Continued)***(20) Segment reporting**

A business segment is a distinguishable component of the Group that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other component. A geographical segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment, which is subject to risks and rewards that are different from those of other component.

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

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

4 Explanation of changes in accounting policies and accounting estimates

(1) Changes in accounting policies and their effects

The Group adopted CAS (2006) on 1 January 2007. The significant accounting policies applicable to the Group under CAS (2006) are summarised in note 3.

The Group made retrospective adjustments in the interim financial statements in accordance with the requirements of “CAS 38 — First-time Adoption of CAS” (CAS 38) and Opinions of Expert Working Group on Problems in the Implementation of Accounting Standards for Business Enterprises (the “Opinions”) issued on 1 February 2007 by the Expert Working Group on Problems in the Implementation of Accounting Standards Committee.

The China Accounting Standards Bulletin No. 1 (CAS Bulletin 1), which further specified requirements in dealing with matters affected by changes in accounting policies as a result of first-time adoption of CAS (2006), was issued by the MOF in November 2007. Accordingly, the Group made retrospective adjustments on the financial statements for the year of 2007 and the comparative figures for the period ended 30 June 2007 in the interim period income statements.

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NOTES ON THE FINANCIAL STATEMENTS *(Continued)***4 Explanation of changes in accounting policies and accounting estimates** *(Continued)***(1) Changes in accounting policies and their effects** *(Continued)*

Except for the retrospective adjustments described in item (a) and (b) below which were made in accordance with the requirements of CAS Bulletin 1, no other retrospective adjustments on interim financial statements for the period ended 30 June 2007:

(a) Business combination and goodwill

Pursuant to the Questions & Answers No.1 in CAS Bulletin 1, the Group has issued H shares, the financial statements in prior years were reported by using both the applicable PRC accounting standards and the International Financial Reporting Standards (“IFRS”). The Group made retrospective adjustments based on the financial statements prepared in accordance with IFRS in prior years for goodwill resulting from business combinations involving enterprises not under common control completed before 1 January 2007. .

(b) Investments in subsidiaries

In the Company’s separate financial statements, investments in subsidiaries were accounted for using the equity method before 1 January 2007. Pursuant to the Questions & Answers No.7 in CAS Bulletin 1, such investments are now accounted for using the cost method.

The Company made retrospective adjustments on such investments obtained before 1 January 2007 in accordance with the policies described in note 3(5)(a) in its separate financial statements.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***4 Explanation of changes in accounting policies and accounting estimates** *(Continued)*

- (2) **The above changes in accounting policies has influence on income and expense of income statements of the Group and the Company for the period ended 30 June 2007 as follows:**

	Note	The Group			The Company		
		Before		After	Before		After
		adjustments	Adjustments	adjustments	adjustments	Adjustments	adjustments
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating income		8,575,132	—	8,575,132	3,932,708	—	3,932,708
Operating costs	4(1)(a)	(6,941,893)	(25,695)	(6,967,588)	(3,224,484)	397	(3,224,087)
Sales taxes and surcharges		(92,492)	—	(92,492)	(43,750)	—	(43,750)
Administrative expenses	4(1)(a)	(276,147)	(2,208)	(278,355)	(153,354)	(554)	(153,908)
Finance cost		(561,479)	—	(561,479)	(182,979)	—	(182,979)
Investment income	4(1)(b)	66,292	—	66,292	66,292	13,658	79,950
Non-operating income		1,494	—	1,494	277	—	277
Non-operating expenses		(924)	—	(924)	(380)	—	(380)
Income tax expense	4(1)(a)	(76,092)	68,637	(7,455)	(81,785)	—	(81,785)
Total		693,891	40,734	734,625	312,545	13,501	326,046

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**4 Explanation of changes in accounting policies and accounting estimates** (Continued)**(3) Changes in accounting estimates**

From January to June 2008, pursuant to the State policy of energy saving and pollutant reduction and China Huadian schedule of closing down small-scale thermal generators, there were changes in the estimated useful lives of certain generators of the Group. These generators were expected to be disposed during second half year in 2008. As a result, the estimated useful lives of these generators have been decreased. The effect on depreciation expense, recognised in operating costs, in current and future periods is as follows:

	First half of 2008	Second half of 2008	2009	2010	Subsequent years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Increase/(decrease) in depreciation	<u>69,717</u>	<u>(9,960)</u>	<u>(19,919)</u>	<u>(19,919)</u>	<u>(19,919)</u>

5 Taxation**(1) The types of tax and tax rates applicable to the Group for sale of electricity and heat are as follows:**

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

NOTES ON THE FINANCIAL STATEMENTS *(Continued)*

5 Taxation *(Continued)*

(2) Income tax

The income tax rate applicable to the Group is 25% (2007: 33%), except for Sichuan Guangan Power Generation Company Limited (“Guangan Company”), Huadian Ningxia Lingwu Power Generation Company Limited (“Lingwu Company”).

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

Company name	Preferential tax rate	Reasons for preferential treatment
Guangan Company	15%	Enterprise income tax preferential policies on the development of the Western Region <i>(note (i))</i>
Lingwu Company	—	Attracting investment policies of Ningxia Hui Autonomous Regions <i>(note (ii))</i>

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**5 Taxation (Continued)****(2) Income tax (Continued)**

Notes:

- (i) Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Issues Concerning Tax Preferential Policies on the Development of the Western Region (Cai Shui [2001] No. 202) and the Notice of the State Administration of Taxation on Opinions Regarding the Implementation of Taxation Policies on the Development of the Western Region (Guo Shui Fa [2002] No. 47), during the period from 2001 to 2010, upon verification and confirmation by tax authorities, enterprises may enjoy a reduced enterprise income tax ("EIT") rate of 15%. In accordance with the approval document issued by the State Administration of Taxation of Sichuan Province, Guangan Company's enterprise income tax rate for the year ended 31 December 2007 and 2008 had been reduced to 15%.
- (ii) Pursuant to the Notice issued by the People's Government of the Autonomous Regions on "Certain Policies on Attracting Investments to the Ningxia Hui Autonomous Regions" (Ning Zheng Fa [2004] No. 61), all new Ningxia industrial enterprises set up with non-domestic capital are, upon approval from the State Administration of Taxation of the Ningxia Hui Autonomous Regions, exempted from EIT for the first to third years since the commencement of operations, followed by a 50% reduction in EIT based on a preferential tax rate for the fourth and fifth years. In accordance with the approval documents issued by the State Administration of Taxation of the Ningxia Hui Autonomous Regions, Lingwu Company are exempted from EIT for the years 2007 to 2009 and entitled to a 50% reduction in EIT based on the prevailing applicable tax rate for the years 2010 and 2011.

Pursuant to the Notice on Certain Enterprise Income Tax Preferential Policies (Cai Shui [1994] No.1), newly setup companies, which are individually accounted for, in the information industry are, upon verification and approval by tax authorities, exempted from EIT for the first and the second years since the commencement of operations. In accordance with the approval documents issued by the State Administration of Taxation of Shi Zhong District, Jinan, Shangdong Province, Huadian International Shangding Information Company Limited ("Information Company") are exempted from EIT for the years 2006 and 2007. The preferential tax treatments is terminated from 1 January 2008. There are no changes in the preferential tax treatments applicable to the Group during the current period when compared with last year.

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***5 Taxation** *(Continued)***(3) Tax payable**

	The Group		The Company	
	30 June 2008 <i>RMB'000</i>	31 December 2007 <i>RMB'000</i>	30 June 2008 <i>RMB'000</i>	31 December 2007 <i>RMB'000</i>
VAT payable	(103,348)	162,451	20,231	81,238
City maintenance and construction tax payable	17,512	29,026	3,963	9,037
EIT payable	1,710	107,686	—	97,237
Prepaid EIT	(43,778)	(16,868)	(23,907)	—
Others	38,224	55,318	12,029	21,924
Total	<u>(89,680)</u>	<u>337,613</u>	<u>12,316</u>	<u>209,436</u>

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**6 Business combination and consolidated financial statements****(1) At 30 June 2008, the following subsidiaries are included in the Company's consolidated financial statements:**

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

Name of investee enterprise	Organisation Code	Place of registration	Principal operation	Registered capital RMB'000	Effective controlling party exercising common control	Closing investment cost RMB'000	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
Guangan Company	289562433	Guangan, the PRC	Generation and sale of electricity	1,785,860	China Huadian	1,267,577	80%	80%
Huadian Xinxiang Power Generation Company Limited (*Xinxiang Company)	753880823	Xinxiang, the PRC	Generation and sale of electricity	382,100	China Huadian	372,100	90%	90%
Anhui Huadian Suzhou Power Generation Company Limited (*Suzhou Company)	752997210	Suzhou, the PRC	Generation and sale of electricity	327,852	China Huadian	318,017	97%	97%
Anhui Huadian Wuhu Power Company Limited (*Wuhu Company)	762773720	Wuhu, the PRC	Generation and sale of electricity (under construction)	110,000	China Huadian	98,546	95%	95%

NOTES ON THE FINANCIAL STATEMENTS (Continued)

6 Business combination and consolidated financial statements (Continued)

(1) At 30 June 2008, the following subsidiaries are included in the Company's consolidated financial statements: (Continued)

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

Name of investee enterprise	Organisation Code	Place of registration	Principal operation	Registered capital RMB'000	Closing effective investment cost RMB'000	Percentage of	Percentage of
						shares held by the Company	voting power directly and indirectly held by the Company
Huadian Qingdao Power Company Limited (*Qingdao Company)	163580003	Qingdao, the PRC	Generation and sale of electricity and heat	700,000	345,666	55%	55%
Huadian Weifang Power Generation Company Limited (*Weifang Company) (note)	165423394	Weifang, the PRC	Generation and sale of electricity	1,250,000	823,483	45%	45%
Huadian Zibo Power Company Limited (*Zibo Company)	734704736	Zibo, the PRC	Generation and sale of electricity and heat	374,800	374,800	100%	100%
Huadian Zhangqiu Power Company Limited (*Zhangqiu Company)	705929741	Zhangqiu, the PRC	Generation and sale of electricity and heat	750,000	617,077	87.5%	87.5%
Huadian Tengzhou Xinyuan Power Company Limited (*Tengzhou Company)	169919856	Tengzhou, the PRC	Generation and sale of electricity and heat	474,172	424,400	89.255%	89.255%

note: Although the company's direct and indirect shareholding percentage and voting rights in Weifang Company are less than 50%, the Company, as set out in the article of association of Weifang Company, has the power to govern the financial and operating policies of Weifang Company so as to obtain benefits or undertake risks from its activities.

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**6 Business combination and consolidated financial statements**
(Continued)**(1) At 30 June 2008, the following subsidiaries are included in the Company's consolidated financial statements: (Continued)**

(c) Subsidiaries acquired not through business combination:

Name of investee enterprise	Organisation Code	Place of registration	Principal operation	Registered capital RMB'000	Investment cost RMB'000	Percentage of	Percentage of
						Closing shares effective and indirectly held by the Company	voting power directly and indirectly held by the Company
Lingwu Company	774928697	Lingwu, the PRC	Generation and sale of electricity and heat	600,000	390,000	65%	65%
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	78911707X	Garze Autonomous Region Tibetan, the PRC	Generation and sale of electricity (under construction)	207,290	207,290	100%	100%
Jiangsu Huadian Binhai Wind Power Company Limited ("Binhai Wind Power Company")	78889386X	Yancheng, the PRC	Generation and sale of electricity (under construction)	10,000	10,000	100%	100%
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Power Company")	66293432	Suzhou, the PRC	Generation and sale of electricity (under construction)	40,000	31,200	78%	78%

NOTES ON THE FINANCIAL STATEMENTS (Continued)**6 Business combination and consolidated financial statements**
(Continued)**(1) At 30 June 2008, the following subsidiaries are included in the Company's consolidated financial statements: (Continued)**(c) Subsidiaries acquired not through business combination:
(Continued)

Name of investee enterprise	Organisation Code	Place of registration	Principal operation	Registered capital	Closing investment cost	Percentage of voting power	
						held by the Company	directly and indirectly held by the Company
				RMB'000	RMB'000		
Huadian International Shandong Materials Company Limited (*Materials Company*)	799927965	Jinan, the PRC	Procurement of materials	50,000	38,648	100%	100%
Huadian Qingdao Heat Company Limited (*Qingdao Heat Company*)	770259377	Qingdao, the PRC	Sale of heat	30,000	16,500	55%	55%
Huadian International Shandong Project Company Limited (*Project Company*)	76000563X	Jinan, the PRC	Management of construction project	3,000	3,334	100%	100%
Information Company	788496194	Jinan, the PRC	Development and maintenance of information system for the Group	3,000	3,000	100%	100%

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**6 Business combination and consolidated financial statements**
(Continued)**(1) At 30 June 2008, the following subsidiaries are included in the Company's consolidated financial statements: (Continued)****(c) Subsidiaries acquired not through business combination:**
(Continued)

Name of investee enterprise	Organisation Code	Place of registration	Principal operation	Registered capital	Closing investment cost	Percentage of voting power	
						effective and indirectly held by the Company	directly and indirectly held by the Company
				RMB'000	RMB'000		
Huadian Ningxia Ningdong Wind Power Company Limited (*Ningdong Wind Power Company)	799900316	Lingwu, the PRC	Generation and sale of electricity	20,000	40,000	100%	100%
Huadian Zouxian Power Generation Company Limited (*Zouxian Company)	669307768	Zoucheng, the PRC	Generation and sale of electricity	3,000,000	2,070,000	69%	69%
Huadian Laizhou Wind Power Generation Company Limited (*Laizhou Wind Power Company)	674523991	Laizhou, the PRC	Generation and sale of electricity (under construction)	146,060	—	55%	55%

NOTES ON THE FINANCIAL STATEMENTS (Continued)**6 Business combination and consolidated financial statements**
(Continued)**(2) Analysis of minority shareholders' equity of major subsidiaries is as follows:**

Company name	Closing balance of minority interests <i>RMB'000</i>	Losses of the period attributable to minority shareholders <i>RMB'000</i>	Opening balance of minority interests <i>RMB'000</i>
Guangan Company	432,318	22,509	454,827
Xinxiang Company	4,042	10,297	11,338
Suzhou Company	8,570	1,354	9,924
Wuhu Company	17,195	553	4,616
Qingdao Company	723,413	—	719,514
Weifang Company	1,273,852	28,224	1,335,077
Zhangqiu Company	87,392	9,815	100,403
Tengzhou Company	20,340	12,377	32,717
Lingwu Company	301,553	—	255,817
Suzhou Biomass Energy Power Company	8,746	54	8,800
Qingdao Heat Company	13,348	259	13,607
Zouxian Company	878,716	48,765	927,481
Total	<u>3,769,485</u>	<u>134,207</u>	<u>3,874,121</u>

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**7 Cash at bank and on hand**

	30 June 2008			31 December 2007		
	Original currency '000	Exchange rate	Renminbi/ Renminbi equivalent '000	Original currency '000	Exchange rate	Renminbi/ Renminbi equivalent '000
The Group						
Cash on hand			1,735			1,351
Cash at bank						
— Renminbi			2,681,214			1,369,602
— US dollars	6	6.8591	41	6	7.3046	44
— HK dollars	5	0.8792	4	5	0.9364	5
Other monetary fund			2,612			2,287
Cash and cash equivalents			2,685,606			1,373,289
Guarantee deposits for bank acceptance bills payable			28,214			19,950
Total			2,713,820			1,393,239
The Company						
Cash on hand			863			876
Cash at bank						
— Renminbi			1,119,875			1,075,885
— US dollars	6	6.8591	41	6	7.3046	44
— HK dollars	5	0.8792	4	5	0.9364	5
Other monetary fund			809			1,063
Cash and cash equivalents			1,121,592			1,077,873
Total			1,121,592			1,077,873

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***8 Bills receivable**

	The Group		The Company	
	30 June 2008 <i>RMB'000</i>	31 December 2007 <i>RMB'000</i>	30 June 2008 <i>RMB'000</i>	31 December 2007 <i>RMB'000</i>
Bank acceptance bills	185,310	164,471	—	5,021
Commercial acceptance bills	—	106,540	—	—
Total	<u>185,310</u>	<u>271,011</u>	<u>—</u>	<u>5,021</u>

All of the above bills held by the Group and the Company are due within one year.

At 30 June 2008, there is no bank acceptance nor commercial acceptance being pledged.

At 30 June 2008, the Group's outstanding endorsed or discounted bills amounted to RMB314,352,000, all of which are due by 11 December 2008. At 30 June 2008, the Company has no outstanding endorsed or discounted bills.

For the current period, there was no transfer of acceptance bills to trade receivables due to non-performance of the issuer.

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

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**9 Trade receivables****(1) Analysis of trade receivables by customers is as follows:**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Customers (non related party)	1,939,349	1,714,391	149,192	57,385
Less: Provision for bad and doubtful debts	(23,091)	(23,091)	—	—
Total	1,916,258	1,691,300	149,192	57,385

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

Total of five largest trade receivables of the Group and the Company are as follows:

	The Group		The Company	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
Amount (RMB'000)	1,885,847	1,674,200	149,192	57,385
Past due	1 month to 5 years	1 month to 5 years	Within one month	Within one month
Percentage of total trade receivables	97.24%	97.66%	100.00%	100.00%

NOTES ON THE FINANCIAL STATEMENTS (Continued)**9 Trade receivables** (Continued)**(2) The ageing analysis of trade receivables is as follows:**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Within one year (including one year)	1,890,587	1,668,210	149,192	57,385
Between one and two years (including two years)	2,580	506	—	—
Between two and three years (including three years)	14,377	13,870	—	—
Over three years	31,805	31,805	—	—
Sub-total	1,939,349	1,714,391	149,192	57,385
Less: Provision for bad and doubtful debts	(23,091)	(23,091)	—	—
Total	1,916,258	1,691,300	149,192	57,385

The ageing is counted starting from the date trade receivable is recognised.

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**9 Trade receivables** (Continued)**(3) Analysis of provision for bad and doubtful debts is as follows:****The Group**

	30 June 2008				31 December 2007			
	Amount RMB'000	Percentage of trade receivables	Provision RMB'000	Percentage of provision	Amount RMB'000	Percentage of trade Proportion	Provision RMB'000	Percentage of provision
Individually significant amounts	1,899,305	97.94%	23,091	1.22%	1,694,325	98.83%	23,091	1.36%
Other insignificant trade receivables	40,044	2.06%	—	—	20,066	1.17%	—	—
Total	1,939,349	100.00%	23,091	1.19%	1,714,391	100.00%	23,091	1.35%

The Company

	30 June 2008				31 December 2007			
	Amount RMB'000	Percentage of trade receivables	Provision RMB'000	Percentage of provision	Amount RMB'000	Percentage of trade Proportion	Provision RMB'000	Percentage of provision
Individually significant amounts	148,354	99.44%	—	—	57,385	100.00%	—	—
Other immaterial item	838	0.56%	—	—	—	—	—	—
Total	149,192	100.00%	—	—	57,385	100.00%	—	—

NOTES ON THE FINANCIAL STATEMENTS (Continued)**10 Prepayments**

The ageing analysis of prepayments is as follows:

	30 June 2008		31 December 2007	
	Amount RMB'000	Proportion	Amount RMB'000	Proportion
The Group				
Within one year (including one year)	538,799	99.52%	257,657	98.73%
One and two years (including two years)	2,003	0.37%	3,316	1.27%
Two and three years (including three years)	582	0.11%	—	—
Total	541,384	100.00%	260,973	100.00%
The Company				
Within one year (including one year)	213,775	100.00%	219,929	99.05%
One and two years (including two years)	—	—	2,106	0.95%
Total	213,775	100.00%	222,035	100.00%

The ageing is counted starting from date prepayment is recognised.

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

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**11 Other receivables****(1) Analysis of other receivables by customers is as follows:**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Amounts due from subsidiaries	—	—	866,445	31,262
Others	153,672	26,313	128,383	13,013
Sub-total	153,672	26,313	994,828	44,275
Less: Provision for bad and doubtful debts	(3,302)	(4,366)	(2,524)	(2,524)
Total	150,370	21,947	992,304	41,751

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

Total of the five largest other receivables of the Group and the Company are as follows:

	The Group		The Company	
	30 June 2008	31 December 2007	30 June 2008	31 December 2007
Amount (RMB'000)	79,726	4,879	884,901	33,529
Past due	6 months to 11 years	6 months to 10 years	6 months to 11 years	6 months to 10 years
Percentage of total other receivables	51.88%	18.54%	88.95%	75.73%

NOTES ON THE FINANCIAL STATEMENTS (Continued)**11 Other receivables** (Continued)**(2) The ageing analysis of other receivables is as follows:**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Within one year (including one year)	144,702	16,747	985,787	35,039
Between one and two years (including two years)	3,159	3,359	445	5,091
Between two and three years (including three years)	692	1,168	4,457	1,133
Over three years	5,119	5,039	4,139	3,012
Sub-total	153,672	26,313	994,828	44,275
Less: Provision for bad and doubtful debts	(3,302)	(4,366)	(2,524)	(2,524)
Total	150,370	21,947	992,304	41,751

The ageing is counted starting from date other receivable is recognised.

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**11 Other receivables** (Continued)**(3) Analysis of provision for bad and doubtful debts is as follows:****The Group**

	30 June 2008				31 December 2007			
	Amount RMB'000	Percentage of trade receivables	Provision RMB'000	Percentage of provision	Amount RMB'000	Percentage of trade Proportion	Provision RMB'000	Percentage of provision
Individually								
significant amounts	111,824	72.77%	2,266	2.03%	9,874	37.52%	3,331	33.74%
Other insignificant								
other receivables	41,848	27.23%	1,036	2.48%	16,439	62.48%	1,035	6.29%
Total	153,672	100.00%	3,302	2.15%	26,313	100.00%	4,366	16.59%

The Company

	30 June 2008				31 December 2007			
	Amount RMB'000	Percentage of trade receivables	Provision RMB'000	Percentage of provision	Amount RMB'000	Percentage of trade Proportion	Provision RMB'000	Percentage of provision
Individually								
significant amounts	979,385	98.45%	2,266	0.23%	34,342	77.57%	2,266	6.60%
Other insignificant								
other receivables	15,443	1.55%	258	1.67%	9,933	22.43%	258	2.60%
Total	994,828	100.00%	2,524	0.25%	44,275	100.00%	2,524	5.70%

NOTES ON THE FINANCIAL STATEMENTS *(Continued)***12 Inventories**

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

	Opening balance RMB'000	Increase for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
The Group				
Coal	360,295	10,765,771	(10,310,575)	815,491
Fuel oil	50,351	111,531	(92,843)	69,039
Materials, components and spare parts	315,173	282,897	(239,060)	359,010
Sub-total	725,819	11,160,199	(10,642,478)	1,243,540
Less: Provision for diminution in value of inventories	(76,039)	—	—	(76,039)
Total	649,780	11,160,199	(10,642,478)	1,167,501
The Company				
Coal	35,384	3,342,334	(3,159,993)	217,725
Fuel oil	16,417	34,369	(28,961)	21,825
Materials, components and spare parts	197,770	75,312	(69,628)	203,454
Sub-total	249,571	3,452,015	(3,258,582)	443,004
Less: Provision for diminution in value of inventories	(54,288)	—	—	(54,288)
Total	195,283	3,452,015	(3,258,582)	388,716

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**12 Inventories** (Continued)**(2) Provision for diminution in value of inventories:**

	Opening balance <i>RMB'000</i>	Increase for the period <i>RMB'000</i>	Decrease for the period <i>RMB'000</i>	Closing balance <i>RMB'000</i>
The Group				
Materials, components and spare parts	<u>76,039</u>	<u>—</u>	<u>—</u>	<u>76,039</u>
The Company				
Materials, components and spare parts	<u>54,288</u>	<u>—</u>	<u>—</u>	<u>54,288</u>

NOTES ON THE FINANCIAL STATEMENTS (Continued)**13 Long-term equity investments**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Investments in subsidiaries	—	—	7,701,140	7,431,640
Investments in jointly controlled entity	215,654	218,228	215,654	218,228
Investments in associates	1,744,988	1,700,821	1,700,078	1,655,911
Other long-term equity investments	145,539	145,539	140,539	140,539
Sub-total	2,106,181	2,064,588	9,757,411	9,446,318
Less: Provision for impairment	—	—	—	—
Total	2,106,181	2,064,588	9,757,411	9,446,318

(1) At 30 June 2008, the investment in principal subsidiaries of the Company are analysed as follows:

	Guangan Company RMB'000	Qingdao Company RMB'000	Weifang Company RMB'000	Zibo Company RMB'000	Zhenggu Company RMB'000	Tengzhou Company RMB'000	Xixiang Company RMB'000	Suzhou Company RMB'000	Lingwu Company RMB'000	Luding Company RMB'000	Wuhu Company RMB'000	Zoustan Company RMB'000	Other subsidiaries RMB'000	Total RMB'000
Initial investment cost	1,297,577	345,688	823,483	374,800	617,077	424,400	372,100	318,017	390,000	207,280	348,046	2,070,000	142,882	7,701,140
Change in cost of investment														
Opening balance	1,297,577	345,688	823,483	374,800	617,077	424,400	372,100	318,017	390,000	207,280	348,046	2,070,000	122,882	7,431,640
Add: Additions	—	—	—	—	—	—	—	—	—	—	249,500	—	20,000	269,500
Closing balance	1,297,577	345,688	823,483	374,800	617,077	424,400	372,100	318,017	390,000	207,280	348,046	2,070,000	142,882	7,701,140

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

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**13 Long-term equity investments** (Continued)

- (2) At 30 June 2008, the investment in the jointly controlled entity of the Group and the Company is analysed as follows:

	Ningxia Zhongning Power Company Limited ("Zhongning Company") RMB'000
Initial investment cost	142,800
Movement of cost of investment	
Opening balance	218,228
Add: Adjustments under equity method	21,046
Less: Cash dividends received	(23,620)
Closing balance	215,654

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

Name of investee enterprise	Organisation Code	Registered address	Principal operation	Registered capital RMB'000	Percentage of equity interest held by the Group and the Company	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets RMB'000	Closing balance of total liabilities RMB'000	Operating income for the period RMB'000	Net profit for the period RMB'000
Zhongning Company	73597054-2	Yinchuan, the PRC	Generation and sale of electricity	285,600	50%	50%	2,078,638	1,647,330	422,343	42,091

NOTES ON THE FINANCIAL STATEMENTS (Continued)**13 Long-term equity investments** (Continued)

- (3) **At 30 June 2008, the investment in principal associates of the Group and the Company are listed as follows:**

The principal associates of the Group and the Company

Name of investee enterprise	Initial investment cost	Opening balance	Addition in investment	Adjustments under equity method		Cash dividends received	Closing balance
				Gain/(loss) in investment	Transfer of capital reserve		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Ningxia Power Generation (Group) Company Limited ("Ningxia Power Company")	280,000	315,889	—	22,030	—	—	337,919
Anhui Chizhou Jinhua Power Generation Company Limited ("Chizhou Company")	258,940	248,375	—	(26,956)	—	—	221,419
Huadian Property Co. Ltd. ("Huadian Property")	165,000	165,000	—	—	—	—	165,000
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	344,000	329,494	—	(44,318)	—	—	285,176
Huadian Coal Industry Group Company Limited ("Huadian Coal")	315,000	359,054	—	31,544	—	—	390,598

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**13 Long-term equity investments** (Continued)**(3) At 30 June 2008, the investment in principal associates of the Group and the Company are listed as follows:** (Continued)**The principal associates of the Group and the Company** (Continued)

Name of investee enterprise	Initial investment cost	Opening balance	Addition in investment	Adjustments under equity method		Cash dividends received	Closing balance
				Gain/(loss) in investment	Transfer of capital reserve		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Zoucheng Lunan Electric Power Technology Development Company Limited ("Zoucheng Lunan")	1,733	2,247	—	2	—	—	2,249
China Huadian Finance Corporation Limited ("China Huadian Finance")	147,360	195,852	—	18,743	(5,905)	(9,000)	199,690
China Huadian Group New Energy Development Company Limited ("Huadian New Energy")	99,605	40,000	59,605	(1,578)	—	—	98,027
Total of the Company	1,611,638	1,655,911	59,605	(533)	(5,905)	(9,000)	1,700,078
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	44,910	44,910	—	—	—	—	44,910
Total of the Group	1,656,548	1,700,821	59,605	(533)	(5,905)	(9,000)	1,744,988

NOTES ON THE FINANCIAL STATEMENTS (Continued)**13 Long-term equity investments** (Continued)**(3) At 30 June 2008, the investment in principal associates of the Group and the Company are listed as follows:** (Continued)**The principal associates of the Group and the Company** (Continued)

Name of investee enterprise	Organisation code	Place of registration	Principal operation	Registered capital RMB'000	Percentage of equity interest held by the Group and the Company	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets RMB'000	Closing balance of total liabilities RMB'000	Operating income for the period RMB'000	Net profit/(loss) for the period RMB'000
The Company and the Group										
Ningxia Power Company	78086052	Yinchuan, the PRC	Generation and sale of electricity, and investment holding	900,000	31.11%	31.11%	8,847,613	7,436,284	1,161,156	84,712
Chizhou Company	750999669	Chizhou, the PRC	Generation and sale of electricity	640,000	40%	40%	2,289,752	1,736,204	465,069	(67,390)
Huadian Property	77545261-1	Beijing, the PRC	Property development (under construction)	350,000	30%	30%	2,470,702	1,920,702	—	—
Luzhou Company	76728573-4	Luzhou, the PRC	Generation and sale of electricity	600,000	40%	40%	5,050,066	4,337,124	282,154	(110,793)
Huadian Coal	71093361-4	Beijing, the PRC	Provision of coal procurement service	1,560,000	20.19%	20.19%	5,860,686	3,641,004	1,641,393	171,294

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NOTES ON THE FINANCIAL STATEMENTS (Continued)

13 Long-term equity investments (Continued)

(3) At 30 June 2008, the investment in principal associates of the Group and the Company are listed as follows: (Continued)

The principal associates of the Group and the Company (Continued)

Name of investee enterprise	Organisation code	Place of registration	Principal operation	Registered capital RMB'000	Percentage of equity interest held by the Group and the Company	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets RMB'000	Closing balance of total liabilities RMB'000	Operating income for the period RMB'000	Net profit/(loss) for the period RMB'000
The Company and the Group										
<i>(Continued)</i>										
Zoucheng Lunan	16613151-0	Zoucheng,	Provision of technical service for electricity and other services	4,333	40%	40%	11,972	6,350	24,294	5
China Huadian Finance	11778303-7	Beijing,	Provision of corporate financial service to its group companies	800,000	15%	15%	12,642,458	11,311,181	178,067	124,961
Huadian New Energy	71093502-X	Beijing,	Investment, development and management of new energy projects	200,000	20%	20%	2,434,032	1,938,396	66,053	(7,889)

NOTES ON THE FINANCIAL STATEMENTS (Continued)**13 Long-term equity investments** (Continued)

- (3) **At 30 June 2008, the investment in principal associates of the Group and the Company are listed as follows:** (Continued)

The principal associates of the Group and the Company (Continued)

Name of investee enterprise	Organisation code	Place of registration	Principal operation	Registered capital RMB'000	Percentage of equity interest held by the Group and the Company	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets RMB'000	Closing balance of total liabilities RMB'000	Operating income for the period RMB'000	Net profit/(loss) for the period RMB'000
The Group										
Longlan Coal Company	74692267-7	Guangan, the PRC	Development of coal mines and sale of coal (under construction)	90,000	36%	45%	487,454	387,390	—	—

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NOTES ON THE FINANCIAL STATEMENTS (Continued)**13 Long-term equity investments** (Continued)

- (4) At 30 June 2008, the investment in principal other equity investments of the Group and the Company are listed as follows:

Name of investee enterprise	Initial investment cost RMB'000	Opening balance RMB'000	Addition in investment RMB'000	Closing balance RMB'000
The Company				
Shandong Luneng Heze Coal Power Development Company Limited	91,339	91,339	—	91,339
Shanxi Jinzhongnan Railway Coal Distribution Company Limited ("Jinzhongnan Company")	39,200	39,200	—	39,200
CHD Power Plant Operation Company Limited ("CHD Operation")	5,000	5,000	—	5,000
Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited	5,000	5,000	—	5,000
Total for the Company	140,539	140,539	—	140,539
Others	5,000	5,000	—	5,000
Total for the Group	145,539	145,539	—	145,539

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

14 Investment deposit

On 13 February 2008, the Company entered into an Equity Transfer Agreement with China Huadian (the “Transfer Agreement”), pursuant to which, the Company agreed to acquire from China Huadian 64% equity interests in Hangzhou Huadian Banshan Power Generation Co., Ltd. (“Banshan Company”), 100% equity interests in Hebei Huadian Complex Pumping-Storage Power Co., Ltd. (“Hebei Company”), 82% equity interests in Hebei Huadian Shijiazhuang Thermal Power Co., Ltd. (“Shijiazhuang Company”) and 49% equity interests in Sichuan Za-gunao Hydroelectric Development Co., Ltd. (“Za-gunao Company”) for a total consideration of RMB2,047,950,200, which is determined with reference to an independent valuation as at a basis date of 30 September 2007. The final consideration to be settled is subject to adjustments for the operating results of the acquired entities between the basis date and the equity transfer date. The investment deposit represents the partial consideration paid to China Huadian pursuant to the Transfer Agreement.

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All terms of the Transfer Agreement between the Company and China Huadian have been fulfilled. Pursuant to the Transfer Agreement, the equity transfer date was 1 July 2008. At as the date of this report, the settlement procedures and relevant audit are in progress.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**15 Fixed assets**

	The Group			
	Buildings <i>RMB'000</i>	Generators and related machinery and equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
Opening balance for the period	16,275,639	52,275,487	1,063,661	69,614,787
Additions for the period	—	1,707	16,617	18,324
Transfer from construction in progress (note 16)	16,539	42,490	12,964	71,993
Decrease for the period	(73,248)	(476,664)	(10,208)	(560,120)
Closing balance for the period	<u>16,218,930</u>	<u>51,843,020</u>	<u>1,083,034</u>	<u>69,144,984</u>
Accumulated depreciation:				
Opening balance for the period	3,819,736	12,809,738	552,259	17,181,733
Charge for the period	288,273	1,348,831	40,634	1,677,738
Decrease of the period	(71,232)	(468,186)	(10,188)	(549,606)
Closing balance for the period	<u>4,036,777</u>	<u>13,690,383</u>	<u>582,705</u>	<u>18,309,865</u>
Net book value:				
Closing balance for the period	<u>12,182,153</u>	<u>38,152,637</u>	<u>500,329</u>	<u>50,835,119</u>
Opening balance for the period	<u>12,455,903</u>	<u>39,465,749</u>	<u>511,402</u>	<u>52,433,054</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**15 Fixed assets (Continued)**

	The Company			
	Buildings <i>RMB'000</i>	Generators and related machinery and equipment <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:				
Opening balance for the period	4,925,805	14,333,784	500,189	19,759,778
Additions for the period	—	22	1,487	1,509
Transfer from construction in progress (note 16)	246	14,812	9,871	24,929
Transfer to a subsidiary	—	—	(662)	(662)
Decrease for the period	(16,636)	(314,180)	(5,398)	(336,214)
Closing balance for the period	<u>4,909,415</u>	<u>14,034,438</u>	<u>505,487</u>	<u>19,449,340</u>
Accumulated depreciation:				
Opening balance for the period	1,959,724	7,595,726	275,596	9,831,046
Charge for the period	101,463	383,523	15,364	500,350
Transfer to a subsidiary	—	—	(73)	(73)
Decrease for the period	(16,411)	(308,515)	(5,390)	(330,316)
Closing balance for the period	<u>2,044,776</u>	<u>7,670,734</u>	<u>285,497</u>	<u>10,001,007</u>
Net book value:				
Closing balance for the period	<u>2,864,639</u>	<u>6,363,704</u>	<u>219,990</u>	<u>9,448,333</u>
Opening balance for the period	<u>2,966,081</u>	<u>6,738,058</u>	<u>224,593</u>	<u>9,928,732</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**15 Fixed assets (Continued)**

At 30 June 2008, the Company's and the Group's assets pending disposal due to closing down of small-scale thermal generators are set out as below:

	Cost	Accumulated depreciation	Impairment provision	Net book value	Fair value	Estimated disposal cost	Estimated disposal time
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
The Group							
Buildings	27,386	26,564	—	822	2,322	1,500	End of 2008
Generators and related machinery and equipment	287,016	234,746	—	52,270	52,270	—	End of 2008
Others	2,609	2,531	—	78	78	—	End of 2008
Total	317,011	263,841	—	53,170	54,670	1,500	
The Company							
Buildings	27,386	26,564	—	822	2,322	1,500	End of 2008
Generators and related machinery and equipment	287,016	234,746	—	52,270	52,270	—	End of 2008
Others	2,609	2,531	—	78	78	—	End of 2008
Total	317,011	263,841	—	53,170	54,670	1,500	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**16 Construction in progress and construction materials**

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

Project	Budgeted amount RMB'000	Opening balance RMB'000	Additions/ (Decreases) for the period RMB'000	Transfer to fixed assets RMB'000	Transfer to a subsidiary RMB'000	Closing balance RMB'000	Proportion to budget	Source of funds
The Company								
Desulphurisation, technical improvement projects and others	—	473,285	240,444	(24,929)	(65,896)	622,904	—	Self-financing and bank loans
Total for the Company	—	473,285	240,444	(24,929)	(65,896)	622,904		
Subsidiaries								
Guangan Company Phase III generating units	3,979,150	15,327	51,755	—	—	67,082	88.4%	Self-financing and bank loans
Weifang Company Phase II generating units	4,506,160	35,813	32,895	—	—	68,708	92.3%	Self-financing and bank loans
Suzhou Biomass Energy Power Company straw-fired thermal power plant project	288,790	17,277	73,715	—	—	90,992	31.5%	Self-financing and bank loans
Wuhu Company generating units	4,999,800	1,901,481	934,458	—	—	2,835,939	56.7%	Self-financing and bank loans
Ningdong Company generating units	418,530	413	736	—	—	1,149	88.4%	Self-financing and bank loans
Zouxian Company generating units	7,264,140	295,844	139,372	—	—	435,216	95.3%	Self-financing and bank loans
Laizhou Wind Power Company generating units	438,180	—	191,506	—	65,896	257,402	58.7%	Self-financing and bank loans
Construction materials	—	612,641	(294,519)	—	—	318,122	—	Self-financing and bank loans
Desulphurisation, technical improvement projects and others	—	1,040,378	724,207	(47,064)	—	1,717,521	—	Self-financing and bank loans
Total for subsidiaries		3,919,174	1,854,125	(47,064)	65,896	5,792,131		
Total for the Group		4,392,459	2,094,569	(71,993)	—	6,415,035		
				(note 15)				

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**16 Construction in progress and construction materials** (Continued)

The Group's carrying amount of construction in progress at the end of the current period included capitalised borrowing cost of 339 million (2007: RMB149 million). The interest rate per annum at which the borrowing costs were capitalised for the current period by the Group was 6.53% (for the period ended 30 June 2007: 5.62%). The Company's carrying amount of construction in progress at the end of the current period included capitalised borrowing cost of RMB45.22 million (2007: RMB18.78 million). The interest rate per annum at which the borrowing costs were capitalised for the current period by the Company was 6.40% (for the period ended 30 June 2007: 5.57%).

17 Intangible assets

	The Group <i>RMB'000</i>	The Company <i>RMB'000</i>
Cost:		
Opening balance	937,701	232,615
Additions for the period	11,377	61
Closing balance	949,078	232,676
Accumulated amortisation:		
Opening balance	165,475	63,562
Charge for the period	16,012	6,515
Closing balance	181,487	70,077
Net book value:		
Closing balance	767,591	162,599
Opening balance	772,226	169,053

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

17 Intangible assets *(Continued)*

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

At 30 June 2008, the remaining amortisation period of land use rights are ranging from 4 to 64 years.

18 Goodwill

	The Group <i>RMB'000</i>	The Company <i>RMB'000</i>
Opening and closing balance	<u>37,511</u>	<u>12,111</u>

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

Other than the above, the remaining goodwill of the Group represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving entities not under common control.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**19 Deferred tax assets and liabilities**

	The Group				The Company			
	30 June 2008		31 December 2007		30 June 2008		31 December 2007	
	Deductible temporary difference	Deferred tax assets						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Deferred tax assets								
Provision for stock and bad debt	103,123	23,841	103,123	23,841	56,812	14,203	56,812	14,203
Amortisation of pre-operating expenses	84,498	20,200	77,469	18,249	—	—	—	—
Accrued expenses	2,125	531	67,070	16,767	—	—	28,093	7,023
Tax losses	1,285,559	299,414	16,818	4,205	187,775	46,944	—	—
Fair value adjustment	243,375	60,844	248,279	62,070	—	—	—	—
Other	73,110	18,277	2,050	511	69,716	17,429	—	—
Total	1,791,790	423,107	514,809	125,643	314,303	78,576	84,905	21,226

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**19 Deferred tax assets and liabilities** (Continued)

	The Group				The Company			
	30 June 2008		31 December 2007		30 June 2008		31 December 2007	
	Taxable temporary difference RMB'000	Deferred liabilities RMB'000	Taxable temporary difference RMB'000	Deferred liabilities RMB'000	Taxable temporary difference RMB'000	Deferred liabilities RMB'000	Taxable temporary difference RMB'000	Deferred liabilities RMB'000
Deferred tax liabilities								
Depreciation of fixed assets	(2,215,388)	(533,847)	(1,969,819)	(492,455)	—	—	—	—
Capitalised interests	(102,033)	(24,946)	(104,973)	(25,562)	—	—	—	—
Fair value adjustment	(788,749)	(172,592)	(816,107)	(179,431)	—	—	—	—
Long-term equity investment	(249,122)	(62,280)	(249,122)	(62,280)	(249,122)	(62,280)	(249,122)	(62,280)
Unrealised exchange gain	(148,053)	(37,014)	—	—	(143,018)	(35,755)	—	—
Total	(3,503,345)	(850,679)	(3,140,021)	(759,728)	(392,140)	(98,035)	(249,122)	(62,280)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**20 Impairment of assets**

Impairment of assets of the Group as at 30 June 2008 is summarised as follow:

	Note	Opening balance RMB'000	Charge for the period RMB'000	Decrease for the period		Closing balance RMB'000
				Reversal RMB'000	Write off RMB'000	
Bad debt provision						
— Trade receivables	9	23,091	—	—	—	23,091
— Other receivables	11	4,366	—	—	(1,064)	3,302
Stock provision	12	76,039	—	—	—	76,039
Total		<u>103,496</u>	<u>—</u>	<u>—</u>	<u>(1,064)</u>	<u>102,432</u>

Impairment of assets of the Company as at 30 June 2008 is summarised as follow:

	Note	Opening balance RMB'000	Charge for the period RMB'000	Decrease for the period		Closing balance RMB'000
				Reversal RMB'000	Write off RMB'000	
Bad debt provision						
— Other receivables	11	2,524	—	—	—	2,524
Stock provision	12	54,288	—	—	—	54,288
Total		<u>56,812</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>56,812</u>

There was no significant impairment loss recognised for the period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**21 Restricted assets**

At 30 June 2008, the Group's assets with restriction placed on their ownership are as follows:

Type	Note	Opening balance RMB'000	Increase for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Assets guaranteed					
– Cash at bank and on hand	7	19,950	20,000	(11,736)	28,214
– Trade receivables	22	51,280	420,078	—	471,358
Total		<u>71,230</u>	<u>440,078</u>	<u>(11,736)</u>	<u>499,572</u>

The Group's cash at bank and on hand pledged represent bank deposits used as guarantee for bills payable. The Group's trade receivables pledged represent trade receivables for sale of electricity used to secure for short-term loans.

At 30 June 2008, the Company has no restricted asset.

22 Short-term loans

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Unsecured loans	9,815,785	9,474,192	3,904,846	1,906,972
Guaranteed loans guaranteed by third party enterprises	320,680	—	300,000	—
Secured loans	330,000	50,000	—	—
Total	<u>10,466,465</u>	<u>9,524,192</u>	<u>4,204,846</u>	<u>1,906,972</u>

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**22 Short-term loans** (Continued)

The secured loans were secured by trade receivables of subsidiaries.

	The Group					
	30 June 2008			31 December 2007		
	Annual interest rate	Original currency '000	Renminbi/ Renminbi equivalent '000	Annual interest rate	Original currency '000	Renminbi/ Renminbi equivalent '000
Short-term bank loans						
— Renminbi	5.91% — 7.47%		8,239,670	5.02% — 6.72%		7,428,377
— US dollars	5.13% — 6.90%	65,139	446,795	6.08% — 6.14%	65,139	475,815
Short-term Renminbi other loans (note (i))	5.70% — 7.09%		980,000	5.70% — 6.56%		1,620,000
Short-term Renminbi shareholder loans (note (ii))	7.23%		800,000	—		—
			<u>10,466,465</u>			<u>9,524,192</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**22 Short-term loans** (Continued)

	The Company					
	30 June 2008			31 December 2007		
	Annual interest rate	Original currency '000	Renminbi/Renminbi equivalent '000	Annual interest rate	Original currency '000	Renminbi/Renminbi equivalent '000
Short-term bank loans						
— Renminbi	5.91% — 7.47%		2,958,050	5.59% — 6.56%		1,381,157
— US dollars	5.13% — 6.90%	65,139	446,796	6.08% — 6.14%	65,139	475,815
Short-term Renminbi other loans (note (i))	6.92%		300,000	5.91%		50,000
Short-term Renminbi shareholder loans (note (ii))	7.23%		500,000	—		—
			<u>4,204,846</u>			<u>1,906,972</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**22 Short-term loans (Continued)**

Notes:

(i) Short-term Renminbi other loans

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
China Huadian Finance	350,000	1,090,000	—	—
Huadian Coal	300,000	500,000	—	—
CHD Operation	30,000	30,000	—	—
Loans from subsidiaries	—	—	—	50,000
Others	300,000	—	300,000	—
	980,000	1,620,000	300,000	50,000

The other loans borrowed from China Huadian Finance, an associate of the Company, bear interest at rates quoted from the People's Bank of China for same terms less 5% - 10%.

The other loans borrowed from Huadian Coal, an associate of the Company, bear interest rates at 5.70% - 5.85% per annual.

The other loans borrowed from CHD Operation, an invested company of the Company, bear interest rates at 6.56% per annual.

(ii) Short-term Renminbi shareholder loans

Shareholder loans were borrowed from China Huadian. The interest rates were determined according to their own cost of financing. The interest rates as at 30 June 2008 were 7.23% per annual.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**23 Bills payable**

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

24 Trade payables

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

At 30 June 2008, the Group and the Company do not have any individually significant trade payable more than one year past due.

25 Wages payable

	Opening balance	Addition for the period	Payment for the period	Closing balance
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
The Group				
Wages, bonuses, allowances and subsidies	68,830	370,950	(439,226)	554
Staff welfare	—	11,072	(10,683)	389
Social insurance expenses				
Medical insurance	2,129	40,916	(38,298)	4,747
Basic pension	2,449	101,845	(100,597)	3,697
Supplementary pension	50	5,215	(4,806)	459
Unemployment insurance	2,118	9,849	(9,625)	2,342
Industrial injury insurance	28	2,723	(2,692)	59
Maturity insurance	5	1,876	(1,858)	23
Housing fund	696	83,281	(83,549)	428
Labour union and staff education fund	18,081	16,902	(13,089)	21,894
Others	1,266	52,685	(52,805)	1,146
Total	95,652	697,314	(757,228)	35,738

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**25 Wages payable (Continued)**

	Opening balance <i>RMB'000</i>	Addition for the period <i>RMB'000</i>	Payment for the period <i>RMB'000</i>	Closing balance <i>RMB'000</i>
The Company				
Wages, bonuses, allowances and subsidies	28,093	131,521	(159,593)	21
Staff welfare	—	3,757	(3,396)	361
Social insurance expenses				
Medical insurance	376	13,548	(13,381)	543
Basic pension	94	37,733	(37,556)	271
Supplementary pension	50	1,623	(1,424)	249
Unemployment insurance	1,541	4,027	(4,010)	1,558
Industrial injury insurance	4	1,117	(1,110)	11
Maturity insurance	—	602	(601)	1
Housing fund	567	29,428	(29,827)	168
Labour union and staff education fund	4,155	6,340	(5,561)	4,934
Others	69	20,197	(20,119)	147
Total	34,949	249,893	(276,578)	8,264

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**26 Other payables**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Amount due to China Huadian	16,130	16,080	8,725	8,675
Amounts due to subsidiaries	—	—	441,552	369,857
Amounts due to other related parties	17,115	13,922	—	11
Amounts due to independent construction companies	1,365,907	1,576,212	45,691	53,051
Others	838,729	363,455	498,478	85,217
	2,237,881	1,969,669	994,446	516,811

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

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

At 30 June 2008, except for quality guarantee deposits, the Group and the Company do not have any individually significant payable items with ageing over one year.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**27 Short-term debenture payables**

	Opening balance <i>RMB'000</i>	Addition for the period <i>RMB'000</i>	Decrease for the period <i>RMB'000</i>	Closing balance <i>RMB'000</i>
The Group and the Company				
Short-term debenture	<u>3,985,759</u>	<u>3,560,703</u>	<u>(4,000,000)</u>	<u>3,546,462</u>

Details of short-term debenture payables are analysed as follows:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**27 Short-term debenture payables** (Continued)

Details of short-term debenture payables are analysed as follows: (Continued)

	Period and interest rate	Date of issuance	Total face amount RMB'000	Discount RMB'000	Amortisation RMB'000	Closing balance RMB'000
The Group and the Company (Continued)						
The first tranche of 2008 short-term debenture	From 17 March 2008 to 16 December 2008, effective annual interest rate of 5.79%	17 March 2008	1,000,000	(3,000)	16,846	1,013,846
The second tranche of 2008 short-term debenture	From 17 March 2008 to 18 March 2009, effective annual interest rate of 5.89%	17 March 2008	2,500,000	(10,000)	42,616	2,532,616

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**27 Short-term debenture payables** (Continued)

On 17 March 2008, the Company issued the first and second transfers of 2008 short-term debentures. The first tranche is 273-day short-term debentures with face value of RMB100, totalling RMB1 billion. The coupon rate is 5.38% per annum and the face amount and the accrued interest are repayable on the maturity date. The second tranche is 365-day short-term debentures with face value of RMB100, totalling RMB2.5 billion. The coupon rate is 5.45% per annum and the face amount and the accrued interest are repayable on the maturity date.

28 Long-term loans due within one year

	The Group				The Company			
	30 June 2008		31 December 2007		30 June 2008		31 December 2007	
	Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000
Bank loans								
Renminbi		2,119,300		1,344,668		140,000		100,000
US dollars	115,312	790,935	15,312	111,847	114,712	786,820	14,712	107,464
State loans								
US dollars	1,436	9,848	1,382	10,095	1,436	9,848	1,382	10,095
Other loans								
Renminbi		39,621		236,506		—		—
US dollars	2,308	15,828	2,307	16,856		—		—
		<u>2,975,532</u>		<u>1,719,972</u>		<u>936,668</u>		<u>217,559</u>
		(note 29(b))		(note 29(b))		(note 29(b))		(note 29(b))

Please refer to note 29 for details of loans.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**29 Long-term loans****(a) Details of repayment terms of long-term loans are as follows:**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Bank loans				
— Between one and two years (including two years)	4,546,084	3,372,762	630,000	730,461
— Between two and five years (including five years)	6,931,376	5,908,608	320,000	—
— Over five years	14,959,655	11,338,759	—	—
	<u>26,437,115</u>	<u>20,620,129</u>	<u>950,000</u>	<u>730,461</u>
Shareholder loans				
— Between two and five years (including five years)	585,000	585,000	585,000	585,000
— Over five years	650,000	650,000	—	—
	<u>1,235,000</u>	<u>1,235,000</u>	<u>585,000</u>	<u>585,000</u>
State loans				
— Between one and two years (including two years)	10,623	10,892	10,623	10,892
— Between two and five years (including five years)	28,927	36,239	26,882	34,194
— Over five years	13,600	13,600	8,145	8,145
	<u>53,150</u>	<u>60,731</u>	<u>45,650</u>	<u>53,231</u>
Other loans				
— Between one and two years (including two years)	277,534	222,904	—	—
— Between two and five years (including five years)	858,070	244,671	—	—
— Over five years	238,577	168,065	—	—
	<u>1,374,181</u>	<u>635,640</u>	<u>—</u>	<u>—</u>
	<u>29,099,446</u>	<u>22,551,500</u>	<u>1,580,650</u>	<u>1,368,692</u>

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**29 Long-term loans (Continued)****(b) Details of long-term loans are as follows:****The Group**

Interest rates and periods		30 June 2008		31 December 2007	
		Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000
Long-term bank loans					
Renminbi loans	Interest rates mainly ranging from 3.60% to 7.83% per annum as at 30 June 2008 (2007: 3.60% to 7.38%), with maturity up to 2025		28,514,675		21,188,226
US dollars loans	Interest rates mainly ranging from 3.26% to 6.54% per annum as at 30 June 2008 (2007: 5.63% to 6.11%), with maturity up to 2017	121,397	832,675	121,625	888,418
			<u>29,347,350</u>		<u>22,076,644</u>
Shareholder loans (note (i))					
Renminbi loans	Interest rates mainly ranging from 4.15% to 7.74% per annum as at 30 June 2008 (2007: 4.15% to 5.83%), with maturity up to 2021		1,235,000		1,235,000
State loans (note (ii))					
Renminbi loans	Interest rates mainly at 2.55% per annum as at 30 June 2008 (2007: 2.55%), with maturity up to 2020		18,700		18,700
US dollars loans	Interest rates mainly at 4.98% per annum as at 30 June 2008 (2007: 5.55%), with maturity up to 2012	6,459	44,298	7,136	52,126
			<u>62,998</u>		<u>70,826</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**29 Long-term loans** (Continued)**(b) Details of long-term loans are as follows:** (Continued)**The Group** (Continued)

Interest rates and periods	30 June 2008		31 December 2007	
	Original	Renminbi/	Original	Renminbi/
	currency	Renminbi	currency	Renminbi
	'000	equivalent	'000	equivalent
		'000		'000
Other loans (note (iii))				
Renminbi loans	Interest rates mainly ranging from 5.76% to 7.05% per annum as at 30 June 2008(2007: 5.67% to 7.05%), with maturity up to 2021			
		1,397,966		846,853
US dollars loans	Interest rates mainly at 6.46% per annum as at 30 June 2008 (2007: 7.58%), with maturity up to 2010			
	4,616	31,664	5,770	42,149
		1,429,630		889,002
		32,074,978		24,271,472
Less: Long-term loans due within one year (note 28)		(2,975,532)		(1,719,972)
		29,099,446		22,551,500

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**29 Long-term loans (Continued)****(b) Details of long-term loans are as follows: (Continued)****The Company**

Interest rates and periods	30 June 2008		31 December 2007	
	Original	Renminbi/ Renminbi	Original	Renminbi/ Renminbi
	currency	equivalent	currency	equivalent
	'000	'000	'000	'000
Long-term bank loans				
Renminbi loans	Interest rates mainly ranging from 5.18% to 7.18% per annum as at 30 June 2008 (2007: 5.18%), with maturity up to 2011		1,090,000	100,000
US dollars loans	Interest rates mainly ranging from 3.26% to 5.63% per annum as at 30 June 2008 (2007: 5.63% to 6.09%), with maturity up to 2009		114,712	837,925
		<u>1,876,820</u>		<u>937,925</u>
Shareholder loans				
<i>(note (i))</i>				
Renminbi loans	Interest rates mainly ranging from 6.97% to 7.74% per annum as at 30 June 2008 (2007: 5.27% to 5.83%), with maturity up to 2011		585,000	585,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**29 Long-term loans** (Continued)**(b) Details of long-term loans are as follows:** (Continued)**The Company** (Continued)

		30 June 2008		31 December 2007	
		Original currency '000	Renminbi/ Renminbi equivalent '000	Original currency '000	Renminbi/ Renminbi equivalent '000
State loans (note (ii))					
Renminbi loans	Interest rates mainly at 2.55% per annum as at 30 June 2008 (2007: 2.55%), with maturity up to 2020		11,200		11,200
US dollars loans	Interest rates mainly at 4.98% per annum as at 30 June 2008 (2007: 5.55%), with maturity up to 2012	6,459	44,298	7,136	52,126
			55,498		63,326
			2,517,318		1,586,251
Less: Long-term loans due within one year (note 28)			(936,668)		(217,559)
			1,580,650		1,368,692

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**29 Long-term loans** (Continued)**(b) Details of long-term loans are as follows:** (Continued)

Notes:

(i) *Shareholder loans**Balance of shareholder loans is analysed as follows:*

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Shandong International Trust Company Limited ("SITC")	585,000	585,000	585,000	585,000
China Huadian	650,000	650,000	—	—
	1,235,000	1,235,000	585,000	585,000

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

Shareholder loans borrowed from China Huadian bear interest rates, which were determined according to their own cost of financing, at 4.15% - 4.98% (2007: 4.15% - 4.98%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**29 Long-term loans** (Continued)**(b) Details of long-term loans are as follows:** (Continued)

Notes: (Continued)

(ii) State loans

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

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

(iii) Other loans

Balance of other loans is analysed as follows:

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
China Huadian Finance	1,317,125	766,021	—	—
Others	112,505	122,981	—	—
	<u>1,429,630</u>	<u>889,002</u>	<u>—</u>	<u>—</u>

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**29 Long-term loans (Continued)****(c) Guarantee and security of long-term loans are analysed as follows:**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Unsecured loans	23,879,680	16,655,426	2,473,020	1,534,125
Loans guaranteed by SEPCO	44,298	52,126	44,298	52,126
Loans guaranteed by China Huadian	220,000	220,000	—	—
Loans guaranteed by third parties	440,000	613,920	—	—
Secured loans	7,491,000	6,730,000	—	—
	32,074,978	24,271,472	2,517,318	1,586,251
Less: Long-term loans due within one year	(2,975,532)	(1,719,972)	(936,668)	(217,559)
	29,099,446	22,551,500	1,580,650	1,368,692

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**30 Share capital**

The Company's share capital status at the end of the period is as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
(1) Share with selling restriction		
— A shares	3,449,157	3,449,157
(2) Share without selling restriction		
— A shares	1,140,899	1,140,899
— H shares	1,431,028	1,431,028
Total	6,021,084	6,021,084

All classes of share above rank pari passu in all material respects.

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

Since the implementation of the Share Reform on 1 August 2006, all domestic shares became eligible for listing and circulation on the Shanghai Stock Exchange. However, the 3,850,356,200 original unlisted domestic shares held by the original domestic shareholders have a period of restriction for disposal ranging from 1 to 3 years. As at 30 June 2008, 3,449,157,304 original domestic shares were still subject to restriction of disposal. Details of the Share Reform are set out in note 1.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**30 Share capital** (Continued)

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

31 Capital reserve, statutory surplus reserve and discretionary surplus reserve**(a) Capital reserve**

	The Group		
	Share premium RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007	1,877,942	194,474	2,072,416
Addition for the year	—	15,640	15,640
Decrease for the year	—	(740)	(740)
Adjustment on capital reserve of business combination involving entities under common control	(25,410)	—	(25,410)
At 31 December 2007 and 1 January 2008	1,852,532	209,374	2,061,906
Addition for the period	—	—	—
Decrease for the period	—	(5,905)	(5,905)
At 30 June 2008	<u>1,852,532</u>	<u>203,469</u>	<u>2,056,001</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**31 Capital reserve, statutory surplus reserve and discretionary surplus reserve** (Continued)**(a) Capital reserve** (Continued)

	The Company		
	Share premium RMB'000	Others RMB'000	Total RMB'000
At 1 January 2007	1,868,442	86,524	1,954,966
Addition for the year	—	15,640	15,640
Decrease for the year	—	(740)	(740)
Adjustment on capital reserve of business combination involving entities under common control	(21,864)	—	(21,864)
At 31 December 2007 and 1 January 2008	1,846,578	101,424	1,948,002
Addition for the period	—	—	—
Decrease for the period	—	(5,905)	(5,905)
At 30 June 2008	<u>1,846,578</u>	<u>95,519</u>	<u>1,942,097</u>

Share premium represents the net premium received from the issuance of H Shares in June 1999 and the issuance of RMB ordinary shares in January 2005. It also represents adjustment on capital reserve of business combination involving entities under common control. Other capital reserves mainly represent the transfer of government grants from special payables after completion of the relevant projects.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**31 Capital reserve, statutory surplus reserve and discretionary surplus reserve** (Continued)**(b) The movement of statutory surplus reserve and discretionary surplus reserve are as follow:**

	The Group and the Company		
	Statutory surplus reserve RMB'000	Discretionary surplus reserve RMB'000	Total RMB'000
At 1 January 2007	1,311,701	68,089	1,379,790
Profit appropriations	92,819	—	92,819
At 31 December 2007, at 1 January 2008 and at 30 June 2008	<u>1,404,520</u>	<u>68,089</u>	<u>1,472,609</u>

(c) Profit appropriations

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

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

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

31 Capital reserve, statutory surplus reserve and discretionary surplus reserve *(Continued)*

(c) Profit appropriations *(Continued)*

(iii) For the six months ended 30 June 2008, the Company did not make appropriations to statutory surplus reserve or discretionary surplus reserve.

For details of appropriations, see note 32.

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

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32 Dividends

(1) Dividends declared and recognised for the six months ended 30 June 2007 and 2008 are as follows:

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Final dividend of RMB0.062 per share for year 2006	373,307	—
Final dividend of RMB0.062 per share for year 2007	—	373,307
	373,307	373,307

(2) The Company did not have unrecognised dividends appropriate during the six months ended 30 June 2007 and 2008.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**33 Operating income**

Operating income mainly represents revenue from sale of electricity and heat, net of VAT, and is summarised as follows:

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from principal activities				
— Revenue from sales of electricity	13,427,544	8,356,965	4,187,192	3,929,589
— Revenue from sales of heat	266,809	181,736	3,992	2,559
Sub-total	13,694,353	8,538,701	4,191,184	3,932,148
Revenue from other operating activities	60,464	36,431	20,373	560
Total	13,754,817	8,575,132	4,211,557	3,932,708

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**33 Operating income** (Continued)

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

	Six months ended 30 June			
	2008		2007	
	Total revenue RMB'000	Percentage over revenue from principal activities	Total revenue RMB'000	Percentage over revenue from principal activities
The Group	13,427,544	98.1%	8,420,106	98.6%
The Company	4,191,184	100.0%	3,932,148	100.0%

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34 Operating costs

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Cost of principal activities				
— Cost of sale of electricity	12,706,394	6,720,300	4,022,128	3,221,140
— Cost of sale of heat	298,919	221,860	4,767	2,314
Sub-total	13,005,313	6,942,160	4,026,895	3,223,454
Cost of other operating activities	37,746	25,428	16,591	633
Total	13,043,059	6,967,588	4,043,486	3,224,087

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**35 Sales taxes and surcharges**

		The Group		The Company	
		Six months ended 30 June		Six months ended 30 June	
		2008	2007	2008	2007
Basis		RMB'000	RMB'000	RMB'000	RMB'000
City maintenance and construction tax	1 - 7% on VAT payable	70,457	58,470	22,613	27,840
Education surcharge	3 - 5% on VAT payable	42,560	34,022	12,924	15,910
		113,017	92,492	35,537	43,750

36 Financial expenses

		The Group		The Company	
		Six months ended 30 June		Six months ended 30 June	
		2008	2007	2008	2007
		RMB'000	RMB'000	RMB'000	RMB'000
Interest incurred		1,413,139	962,452	305,458	271,398
Less: Interest capitalised		(190,061)	(368,739)	(33,723)	(60,995)
Net interest expenses		1,223,078	593,713	271,735	210,403
Interest income on deposits		(11,107)	(3,799)	(4,905)	(1,715)
Net exchange gain		(89,503)	(37,171)	(83,203)	(34,445)
Net loss on derivative financial instruments		—	8,736	—	8,736
Total		1,122,468	561,479	183,627	182,979

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**37 Investment income** (Continued)

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Long-term equity investment income				
— Accounted for under the cost method	18,731	—	90,378	13,658
— Accounted for under the equity method	20,513	66,292	20,513	66,292
Total	39,244	66,292	110,891	79,950

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**37 Investment income** (Continued)

The analysis of the Group's long-term equity investment income from major investees is as follows:

	Six months ended 30 June		Reason for movement
	2008 RMB'000	2007 RMB'000	
Jointly controlled entity			
— Zhongning Company	21,046	25,671	Profit or loss from normal operations
Associates			
— Ningxia Power Company	22,030	2,619	Profit or loss from normal operations
— Chizhou Company	(26,956)	(11,425)	Profit or loss from normal operations
— Luzhou Company	(44,318)	—	Commercial operation commenced in 2008, profit or loss from normal operations
— Zoucheng Lunan	2	(167)	Profit or loss from normal operations
— Huadian Coal	31,544	15,289	Profit or loss from normal operations
— China Huadian Finance	18,743	34,305	Profit or loss from normal operations
— Huadian New Energy	(1,578)	—	Commercial operation commenced in 2008, profit or loss from normal operations
Other enterprises	18,731	—	Under cost method, investment income is recognised when dividend is declared by investees.
Total	39,244	66,292	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**37 Investment income** (Continued)

The analysis of the Company's long-term equity investment income from major investees is as follows:

	Six months ended 30 June		Reason for movement
	2008 RMB'000	2007 RMB'000	
Subsidiaries			
— Weifang Company	27,000	9,033	Under cost method, investment income is recognised when dividend is declared by subsidiary.
— Qingdao Company	12,320	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
— Zhangqiu Company	20,792	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
— Material Company	11,966	4,625	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Jointly controlled entity			
— Zhongning Company	21,046	25,671	Profit or loss from normal operations

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**37 Investment income** (Continued)

The analysis of the Company's long-term equity investment income from major investees is as follows: (Continued)

	Six months ended 30 June		Reason for movement
	2008 RMB'000	2007 RMB'000	
Associates			
— Ningxia Power Company	22,030	2,619	Profit or loss from normal operations
— Chizhou Company	(26,956)	(11,425)	Profit or loss from normal operations
— Luzhou Company	(44,318)	—	Commercial operation commenced in 2008, profit or loss from normal operation
— Zoucheng Lunan	2	(167)	Profit or loss from normal operations
— Huadian Coal	31,544	15,289	Profit or loss from normal operations
— China Huadian Finance	18,743	34,305	Profit or loss from normal operations
— Huadian New Energy	(1,578)	—	Commercial operation commenced in 2008, profit or loss from normal operation
Other enterprises	18,300	—	Under cost method, investment income is recognised when dividend is declared by investees.
Total	110,891	79,950	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**38 Income tax****(1) Income tax in the income statement represents:**

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Charge for PRC enterprise income tax for the year	3,965	88,711	—	37,742
Under/(over)-provision for income tax in respect of preceding year	(25,558)	3,829	(26,109)	—
Deferred taxation	(206,513)	(85,085)	(21,595)	44,043
	<u>(228,106)</u>	<u>7,455</u>	<u>(47,704)</u>	<u>81,785</u>

(2) The analysis of deferred tax expense is set out below:

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Origination and reversal of temporary differences	(226,290)	100,245	(41,372)	33,689
Changes in tax rate	—	(185,330)	—	10,354
Under-provision of deferred tax in respect of preceding year	19,777	—	19,777	—
	<u>(206,513)</u>	<u>(85,085)</u>	<u>(21,595)</u>	<u>44,043</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**38 Income tax (Continued)****(3) Reconciliation between income tax and accounting profits is as follows:**

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
(Loss)/profit before taxation	(810,236)	742,080	(54,654)	407,831
Expected income tax expense at a tax rate of 25% (2007: 33%)	(202,559)	244,886	(13,664)	134,584
Change in tax rate	—	(185,330)	—	10,354
Non-deductible expenses	913	180	40	52
Non-taxable income	(10,107)	(24,723)	(27,748)	(27,838)
Differential tax rate on subsidiary's income	(10,572)	3,980	—	—
Tax credit (note (i))	—	(35,367)	—	(35,367)
(Over)/under-provision respect of preceding year	(5,781)	3,829	(6,332)	—
	(228,106)	7,455	(47,704)	81,785

Note:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**39 Notes to the cash flow statement****(1) Reconciliation of net (loss)/profit to cash flows from operating activities:**

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Net (loss)/profit	(507,636)	565,421	(6,950)	326,046
Add: Depreciation of fixed assets	1,677,738	1,247,540	500,350	599,127
Amortisation of intangible assets	16,012	11,945	6,515	5,290
Write off of impairment losses on trade receivables and inventories	(1,064)	—	—	—
Financial expenses	1,122,468	561,479	183,627	182,979
Investment income	(39,244)	(66,292)	(110,891)	(79,950)
Gain on disposal of fixed assets	(74,823)	—	(47,272)	—
(Increase)/decrease in deferred tax assets	(297,464)	38,830	(57,350)	44,043
Increase/(decrease) in deferred tax liabilities	90,951	(123,915)	35,755	—
(Increase)/decrease in inventories	(517,721)	(2,956)	(193,433)	13,638
(Increase)/decrease in operating receivables	(377,024)	(27,968)	(983,953)	215,696
Increase/(decrease) in operating payables	118,690	739,606	181,274	(329,705)
Minority interests	(74,494)	169,204	—	—
Net cash flow from operating activities	1,136,389	3,112,894	(492,328)	977,164

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**39 Notes to the cash flow statement** (Continued)**(2) Cash and cash equivalents held by the Group and the Company are as follows:**

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
(a) Cash at bank and on hand				
— Cash in hand	1,735	1,351	863	876
— Bank deposits available on demand	2,681,259	1,369,651	1,119,920	1,075,934
— Other monetary fund available on demand	2,612	2,287	809	1,063
— Cash with restricted usage	28,214	19,950	—	—
(b) Closing balance of cash and cash equivalent	2,713,820	1,393,239	1,121,592	1,077,873
Less: cash with restricted usage	28,214	19,950	—	—
(c) Closing balance of cash and cash equivalents available on demand	2,685,606	1,373,289	1,121,592	1,077,873

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**40 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments**

The Group exposed to interest rate, credit, currency and liquidity risks for its financial instruments. These risks are managed by the Group's financial management policies and practices described below.

(1) Interest rate risks

The interest rates and terms of repayment of the outstanding loans of the Group and the Company are disclosed in note 22, 27 and 29.

- (a) The Group and the Company held the following interest-bearing financial instruments:

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Fixed rate instruments				
Financial liabilities				
— Short-term loans	(9,106,465)	(7,493,757)	(3,704,846)	(695,157)
— Long-term loans	(1,171,121)	(801,121)	(481,200)	(11,200)
— Short-term debenture payables	(3,546,462)	(3,985,759)	(3,546,462)	(3,985,759)
	<u>(13,824,048)</u>	<u>(12,280,637)</u>	<u>(7,732,508)</u>	<u>(4,692,116)</u>
Floating rate instruments				
Financial assets				
— Cash at bank and on hand	2,713,820	1,393,239	1,121,592	1,077,873
Financial liabilities				
— Short-term loans	(1,360,000)	(2,030,435)	(500,000)	(1,211,815)
— Long-term loans	(30,903,857)	(23,470,351)	(2,036,118)	(1,575,051)
	<u>(29,550,037)</u>	<u>(24,107,547)</u>	<u>(1,414,526)</u>	<u>(1,708,993)</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)***40 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments** *(Continued)***(1) Interest rate risks** *(Continued)*

(b) Sensitivity analysis

At 30 June 2008, it is estimated that a general change of 100 basis points in interest rates, with all other variables held constant, would change the Group's profit after tax and shareholders' equity by approximately RMB218,000,000 (2007: RMB173,000,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for all financial instruments in existence at that date. The change of 100 basis point represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**40 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments** (Continued)**(2) Credit risks**

Substantially all of the Group's cash and cash equivalents are deposited with the four largest commercial banks of the PRC and China Development Bank.

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

	Six months ended 30 June	
	2008	2007
	RMB'000	RMB'000
Sale of electricity to:		
SEPCO	10,047,364	7,322,463
Sichuan Electric Power Corporation	930,204	960,813
Ningxia Electric Power Company	823,436	49,941
Henan Electric Power Company	771,577	23,748
East China Grid Company Limited	854,963	—
	30 June	31 December
	2008	2007
	RMB'000	RMB'000

Receivables from sale of electricity:

SEPCO	1,027,729	812,072
Sichuan Electric Power Corporation	275,177	472,647
Ningxia Electric Power Company	314,996	134,130
Henan Electric Power Company	210,481	360,337
East China Grid Company Limited	233,780	152,142

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**40 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments** (Continued)**(2) Credit risks** (Continued)

The maximum exposure to credit risks is represented by the carrying amount of each financial asset in the balance sheet.

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

The ageing analysis of trade receivables and bills receivable that are past due but not impaired on individual and collective assessment is set out as follows:

Ageing	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Past due within 3 months (including 3 months)	13,921	4,263	—	—
Past due 3 - 6 months (including 6 months)	6,098	8,348	—	—
	20,019	12,611	—	—

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

40 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments *(Continued)*

(3) Foreign currency risk

- (a) The Group is exposed to foreign currency risk as certain loans are denominated in US dollars. Depreciation or appreciation of US dollars against the Renminbi will affect the Group's financial position and results of operations.

In respect of loans and trade payables denominated in foreign currencies other than the functional currency of the Group, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

- (b) The following are the significant exchange rates applied by the Group and the Company:

	Average rate		Reporting date mid-spot rate	
	Six months ended 30 June		30 June	31 December
	2008	2007	2008	2007
USD	7.2319	7.7129	6.8591	7.3046
HKD	0.9078	0.9896	0.8792	0.9364

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**40 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments** (Continued)**(4) Liquidity risk**

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

The maturity analysis of long-term loans of the Group and the Company are disclosed in note 29.

(5) Estimation of fair value

The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgment is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

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

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

Fair value is based on quoted market prices at the balance sheet date for available-for-sale financial assets. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for specific circumstances of the issuer.

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

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**41 Commitments****(1) Capital commitments**

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

	The Group		The Company	
	30 June 2008 RMB'000	31 December 2007 RMB'000	30 June 2008 RMB'000	31 December 2007 RMB'000
Contracted for	12,565,016	13,788,404	8,480,461	6,865,904
Authorised but not contracted for	3,977,305	4,504,593	177,253	166,050
	16,542,321	18,292,997	8,657,714	7,031,954

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

At 30 June 2008, the Group did not have any proportionate share of the jointly controlled entity's capital expenditure commitments (2007: RMB Nil).

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**41 Commitments** (Continued)**(2) Operating lease commitments**

According to those non-cancellable operating lease agreements in respect of land and buildings, the total future minimum lease payments of the Group and the Company as at period/year end are as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Within one year	31,652	31,652
Over one year and within two years	30,178	30,178
Over two years and within three years	30,178	30,178
Over three years	490,393	505,482
	582,401	597,490

Pursuant to an agreement, the Company is leasing certain land from the Shandong Provincial Government for a term of 30 years with effect from 1 September 1997. The annual rental will be adjusted every five years thereafter with an upward adjustment of not more than 30% of the previous year's rental. The current annual rental effective from 1 January 2001 is Rmb 30,178,000. The future minimum lease payments in respect of the land is calculated based on the existing annual rental of Rmb 30,178,000 as the revision of annual rental is still under negotiation.

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

42 Related parties and material related party transactions

(1) Information of parent company of the Company is as follows:

Company name	Organisation code	Place of registration	Principal operation	Registered capital RMB'000	Equity interest to the Company	Voting right to the Company
China Huadian	71093107X	Beijing, the PRC	Development, construction and operation management of electricity related business, organisation of production and sale of electricity and heat	12,000,000	50.60% (note)	50.60%

note: This included 1.42% equity interest, 85,862,000 shares of H shares, which were held through China Huadian Hong Kong Co., Ltd. (a wholly owned subsidiary of China Huadian).

(2) Please refer to note 6 for the information about subsidiaries of the Company.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)***42 Related parties and material related party transactions** *(Continued)*

- (3) **Other related parties that do not control/are not controlled by the Company and the Group but had related parties transaction were:**

<u>Company name</u>	<u>Relationship with the Company</u>
SITC	Holding 13.3% shareholding of the Company
China Huadian Engineering (Group) Corporation	Controlled by China Huadian
China Huadian Finance	Controlled by China Huadian and an associate of the Company
Huadian Coal	Controlled by China Huadian and an associate of the Company
CHD Operation	Controlled by China Huadian
<u>Longtan Coal Company</u>	<u>An associate of the Group</u>

Please refer to note 13 for information related to jointly controlled entity and associates of the Group.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**42 Related parties and material related party transactions** (Continued)**(4) Transactions between the Group and the Company and key management personnel:**

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Remuneration for key management personnel	<u>1,787</u>	<u>1,895</u>	<u>1,787</u>	<u>1,895</u>

The above material transactions with key management personnel were conducted in ordinary course of business and on normal commercial terms or in accordance with the agreements governing such transactions.

(5) Transactions between the Group and the Company and related parties other than key management personnel:

(a) Balances between the Company and its subsidiaries are as follows:

	30 June 2008 RMB'000	31 December 2007 RMB'000
Prepayment to subsidiaries for purchase of coal/(receipt in advance due to subsidiaries for purchase of coal)	308,836	(4,240)
Loan from subsidiary	—	(50,000)
Prepayment to subsidiary for purchase of material	<u>886,931</u>	<u>451,140</u>

The above balances between the Company and its subsidiaries were fully eliminated in the consolidated financial statements of the Company and its subsidiaries.

At 30 June 2008, the Company provided guarantees to banks for loans granted to certain of its subsidiaries amounting to RMB359,741,000 (At 31 December 2007: RMB355,666,000).

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**42 Related parties and material related party transactions** (Continued)**(5) Transactions between the Group and the Company and related parties other than key management personnel:** (Continued)

- (b) Transaction amounts with parties other than key management personnel and subsidiaries are set out as follows:

	The Group				The Company				
	Six months ended 30 June				Six months ended 30 June				
	2008		2007		2008		2007		
	Transaction amount	Percentage on similar deals	Transaction amount	Percentage on similar deals	Transaction amount	Percentage on similar deals	Transaction amount	Percentage on similar deals	
Note	RMB '000		RMB '000		RMB '000		RMB '000		
Construction costs and equipment costs	(i)	98,676	2.41%	82,979	1.17%	31,289	4.47%	—	—
Interest expenses	(ii)	127,109	9.00%	85,146	8.85%	32,109	10.51%	37,571	13.84%
Loan obtained from related parties	(ii)	1,892,750	8.66%	1,675,175	9.93%	500,000	5.26%	400,000	5.00%
Loan repaid to related parties	(ii)	1,481,637	11.37%	1,500,000	10.48%	—	—	900,000	11.19%
Service fee	(iii)	26,163	100.00%	15,230	100.00%	—	—	—	—

- (i) The amount represented construction costs and equipment costs paid and payable to China Huadian Engineering (Group) Company and its subsidiary.
- (ii) Details of loans from SITC, China Huadian, China Huadian Finance, Huadian Coal and CHD Operation are set out in note 22 and 29.
- (iii) Service fee represented amount paid to Huadian Coal for provision of management and co-ordination services in relation to coal procurement in the PRC.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**42 Related parties and material related party transactions** (Continued)**(5) Transactions between the Group and the Company and related parties other than key management personnel:** (Continued)

- (c) The balances of transactions with related parties other than key management personnel and subsidiaries are set out as follows:

	Note	The Group		The Company	
		30 June	31 December	30 June	31 December
		2008	2007	2008	2007
		RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for construction and purchase of equipment	(i)	124,348	127,273	32,178	—
Trade payables	(i)	(24,720)	(45,351)	—	—
Shareholder loans	(ii)	(2,035,000)	(1,235,000)	(1,085,000)	(585,000)
Other loans	(ii)	(1,997,125)	(2,386,021)	—	—

- (i) The amount represented construction costs and equipment costs paid and payable to China Huadian Engineering (Group) Company and its subsidiary.
- (ii) Details of loans from SITC, Chian Huadian, China Huadian Finance, Huadian Coal and CHD Operation are set out in note 22 and 29.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)***42 Related parties and material related party transactions** *(Continued)***(5) Transactions between the Group and the Company and related parties other than key management personnel:** *(Continued)*

- (d) The Company entered into the Investment Agreement with China Huadian to acquire its 95% equity interests in Wuhu Company for a consideration of RMB25.41 million. Pursuant to the Investment Agreement, the Company paid an investment deposit of RMB15.25 million to China Huadian in 2006. In 2007, the Company paid the remaining RMB10.16 million to China Huadian and the acquisition was completed.
- (e) In May 2007, the Company and China Huadian and its certain subsidiaries established CHD Operation. The Company contributed RMB5 million for the 10% equity interests in CHD Operation.
- (f) On 13 February 2008, the Company, entered in to the Transfer Agreement with China Huadian to acquire its equity interests in its certain subsidiaries and pursuant to the Transfer Agreement, the Company paid an investment deposit. Details were set out in note 14.
- (g) At 30 June 2008, Guangan Company, a subsidiary of the Company provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB110,000,000 (At 31 December 2007: RMB11,000,000).

43 Contingent liabilities

Apart from those disclosed in note 42(5)(a) and note 42(5)(g), the Company and Group did not have any other contingent liabilities.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**44 Extraordinary gain and loss**

According to requirements of “Questions and answers on the preparation of information disclosures of companies issuing public shares No. 1 - extraordinary gain and loss” (2007 revised), extraordinary gain and loss of the Group and the Company are set out below:

	The Group		The Company	
	Six months ended 30 June		Six months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
Extraordinary gain and loss				
Non-operating income	89,899	1,494	47,284	277
Non-operating expenses	(4,647)	(924)	(914)	(380)
Net loss on derivative financial instruments	—	(8,736)	—	(8,736)
	85,252	(8,166)	46,370	(8,839)
Less: Tax effect of the above items	(21,348)	2,701	(11,593)	2,917
Total	63,904	(5,465)	34,777	(5,922)
Attributable to:				
Equity shareholders of the Company	62,739	(5,405)	34,777	(5,922)
Minority interests	1,165	(60)	—	—

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**45 Earnings per share and return on net assets****(1) The Group's earnings per share**

	Six months ended 30 June			
	2008		2007	
	Basic losses per share	Diluted losses per share	Basic earnings per share	Diluted earnings per share
(a) (Losses)/earnings per share inclusive of extraordinary gain and loss (RMB)	(0.084)	(0.084)	0.094	0.094
— (Loss)/profit attributable to the Company's ordinary equity shareholders (RMB'000)	(507,636)	(507,636)	565,421	565,421
— Weighted average number of the Company's ordinary shares ('000 shares)	6,021,084	6,021,084	6,021,084	6,021,084
(b) (Losses)/earnings per share net of extraordinary gain and loss (RMB)	(0.095)	(0.095)	0.095	0.095
— (Loss)/profit deducted extraordinary gains and loss attributable to the Company's ordinary equity shareholders (RMB'000)	(570,375)	(570,375)	570,826	570,826
— Weighted average number of the Company's ordinary shares ('000 shares)	6,021,084	6,021,084	6,021,084	6,021,084

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**45 Earnings per share and return on net assets****(2) Return on net assets of the Group**

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9 - Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2007 revised) issued by the CSRC, the Group’s return on net assets are calculated as follows:

	Six months ended 30 June			
	2008		2007	
	Fully diluted	Weighted average	Fully diluted	Weighted average
(a) Return on net assets inclusive of extraordinary gain and loss	(3.77%)	(3.61%)	4.13%	4.11%
— Net (loss)/profit attributable to the Company’s ordinary equity shareholders (RMB’000)	(507,636)	(507,636)	565,421	565,421
— Period-end equity attributable to the Company’s ordinary equity shareholders (RMB’000)	13,448,786	—	13,674,785	—
— Weighted average of equity attributable to the Company’s ordinary equity shareholders (RMB’000)	—	14,078,864	—	13,770,637

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**45 Earnings per share and return on net assets** (Continued)**(2) Return on net assets of the Group** (Continued)

	Six months ended 30 June			
	2008		2007	
	Fully diluted	Weighted average	Fully diluted	Weighted average
(b) Return on net assets net of extraordinary gain and loss	(4.24%)	(4.05%)	4.17%	4.15%
— Net (loss)/profit deducted extraordinary gain and loss attributable to the Company's ordinary equity shareholders (RMB'000)	(570,375)	(570,375)	570,826	570,826
— Period-end equity attributable to the Company's ordinary equity shareholders (RMB'000)	13,448,786	—	13,674,785	—
— Weighted average of equity attributable to the Company's ordinary equity shareholders (RMB'000)	—	14,078,864	—	13,770,637

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

46 Segment reporting

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

47 Significant accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note 40 contain information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(1) Impairment of receivables

As described in note 3(11)(b), receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

(2) Impairment of non-financial long-term assets

As described in note 3(10), non-financial long-term assets are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is provided.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)**47 Significant accounting estimates and judgements** (Continued)**(2) Impairment of non-financial long-term assets** (Continued)

The recoverable amount of an asset (or asset group) is the greater of its net selling price and its present value of expected future cash flows. Since a market price of the asset (or the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

(3) Depreciation and amortisation

As described in note 3(6) and (8), fixed assets and intangible assets are depreciated and amortised using the straight-line method over their estimated useful lives after taking into account residual value. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The estimated useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the amount of depreciation or amortisation is revised.

SUPPLEMENTARY INFORMATION TO THE INTERIM FINANCIAL STATEMENTS

Reconciliation of the Group's financial statements prepared under different accounting standards

- (1) Effects of major differences between the CAS (2006) and IFRS on net profit are analysed as follows:

	<i>Note</i>	Six months ended 30 June	
		2008	2007
		<i>RMB'000</i>	<i>RMB'000</i>
Amount under CAS (2006)		(582,130)	734,625
Adjustments:			
Business combination involving entities under common control	(a)	(4,085)	(35,015)
Government grants	(b)	5,473	5,303
Taxation impact of the adjustments		742	5,437
Total		2,130	(24,275)
Amount under IFRS		(580,000)	710,350

SUPPLEMENTARY INFORMATION TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

Reconciliation of the Group's financial statements prepared under different accounting standards *(Continued)*

(2) Effects of major differences between the CAS (2006) and IFRS on shareholders' equity are analysed as follows:

	30 June 2008 <i>RMB'000</i>	31 December 2007 <i>RMB'000</i>
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount under CAS (2006)	17,218,271	18,209,755
Adjustments:		
Business combination involving entities under common control (a)	143,903	147,988
Government grants (b)	(177,970)	(183,443)
Taxation impact of the adjustments	(30,876)	(31,618)
Total	(64,943)	(67,073)
Amount under IFRS	17,153,328	18,142,682

SUPPLEMENTARY INFORMATION TO THE INTERIM FINANCIAL STATEMENTS *(Continued)*

Reconciliation of the Group's financial statements prepared under different accounting standards *(Continued)*

Notes:

- (a) *According to the accounting policies adopted in the Group's financial statements prepared under IFRS, assets and liabilities acquired by the Group during business combination, irrespective of whether such business combination is involving entities under common control or not, are measured at the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. In preparing the consolidated financial statements, the respective financial statements of subsidiaries are adjusted based on the fair value of individual identifiable assets and liabilities at the date of acquisition. The excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquired was recognised as goodwill.*

In accordance with CAS (2006), assets and liabilities acquired by the Group in business combination involving entities under common control are measured at their carrying value at the date of combination. Consolidated financial statements are prepared based on the financial statements of the Company and subsidiaries. The excess of carrying value of purchase consideration paid by the Company over its share of carrying value of identifiable net assets of the acquiree for business combination involving entities under common control reduces the share premium of capital reserve or retained earnings. There are differences for business combination involving entities under common control under CAS (2006) and IFRS.

In addition, according to CAS (2006), in preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods in respect of business combination involving entities under common control. Accordingly, the capital reserve was adjusted for its increase in net assets due to business combination.

- (b) *According to IFRS, conditional government grants should be first recorded in long-term liabilities and amortised to profit or loss using the straight line method over the useful lives of the relevant assets after fulfilling the requirements from the government in respect of the construction projects.*

Since 1 January 2007, according to CAS (2006), government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.