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

(Stock Code: 1071)

Annual Report 2008

華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

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Company Profile

Huadian Power International Corporation Limited (the "Company") and its subsidiaries (together, the "Group") are one of the largest listed power producers in the People's Republic of China (the "PRC"). The Group is primarily engaged in the construction and operation of power plants and other businesses related to power generation. As at the date of this report, the interested installed capacity of the Group has interests amounted to 19,578.2MW, while the total installed capacity controlled by the Group amounted to 23,293.5MW. The total number of employees amounted to 17,686.

The Company was incorporated in Jinan, Shandong Province, the PRC on 28 June 1994. On 30 June 1999, the Company issued approximately 1,431 million H shares in its initial public offering, which were listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). At the beginning of year 2005, the Company issued 765 million A shares, which were listed on the Shanghai Stock Exchange on 3 February 2005. To date, the Company has 4,590,056,200 domestic shares and 1,431,028,000 H shares, accounting for approximately 76.23% and 23.77% respectively of the total issued share capital of the Company. The power plants and companies of the Group are all strategically located in the vicinity of major coal mines or electricity load centres.

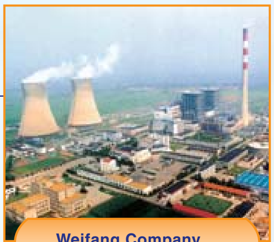

Lingwu Company

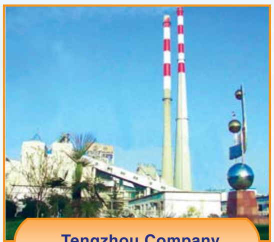

Zhongning Company

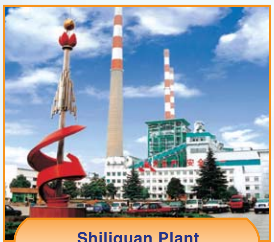

Ningxia Power Company


Hebei Hydropower Company

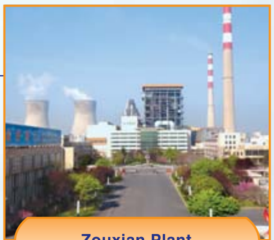

Shijiazhuang Thermal Power Company


Weifang Company

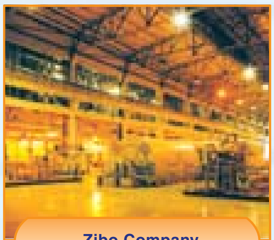

Tengzhou Company

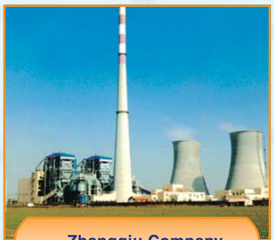

Shiliquan Plant


Laicheng Plant


Zouxian Plant

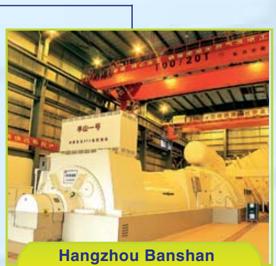

Qingdao Company


Zibo Company


Zhangqiu Company


Chizhou Company


Suzhou Company


Hangzhou Banshan Company


Xinxiang Company


Guangan Company

Luzhou Company

Company Profile (Continued)

As at the date of this report, details of the Group's power generation facilities are as follows:

Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units	Notes
Zouxian Plant	2,540	100%	2 x 600MW + 4 x 335MW	
Shiliquan Plant *(Note 1)*	770	100%	1 x 330MW +1 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	
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") *(Notes 2 and 3)*	40.5	55%	27 x 1.5MW	
Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	1,200	65%	2 x 600MW	2 x 1,000MW coal-fired power generating units under construction
Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	660	50%	2 x 330MW	

Company Profile (Continued)

Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units	Notes
Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company")	45	100%	30 x 1.5MW	45MW wind power generating units under construction
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") *(Note 4)*	—	100%	—	4 x 230MW hydroelectric generating units under construction
Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("Za-gunao Hydroelectric Company") *(Note 5)*	228	49%	3 x 46MW + 3 x 30MW	363MW hydroelectric generating units under construction
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660MW	
Huadian Luohe Power Generation Company Limited ("Luohe Company") *(Note 6)*	—	75%	—	2 x 300MW heat-power co-generating units under construction
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)*	1,320	65%	2 x 660MW	
Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company")	600	40%	2 x 300MW	
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company") *(Note 3)*	25	78%	2 x 12.5MW	

Company Profile (Continued)

Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Generating units	Notes
Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company") *(Note 7)*	—	75%	—	49.5MW wind power generating units under construction
Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company") *(Note 5)*	1,435	64%	3 x 390MW + 1 x 135MW + 1 x 130MW	
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company") *(Notes 3 and 5)*	800	82%	1 x 300MW + 2 x 200MW + 4 x 25MW	1 x 300MW heat-power co-generating unit under construction
Hebei Huadian Complex Pumping-storage Power Company Limited ("Hebei Hydropower Company") *(Note 5)*	57	100%	1 x 16MW + 2 x 15MW + 1 x 11MW	
Hebei Huarui Energy Group Corporation Limited ("Huarui Company") *(Note 8)*	957.3	100%	—	
Total controlled installed capacity *(Note 9)*	23,293.5			
Total interested installed capacity *(Note 10)*	19,578.2			

Note 1: *The Group shut down 280MW generating units of Shiliquan Plant and 49MW generating units of Qingdao Company in May 2008. In addition, capacity of one 300MW generating unit of Shiliquan Plant was expanded to 330MW by renovation, which was approved by Shandong Economic and Trade Committee on 5 December 2008.*

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

Note 3: *Twenty-seven wind power generating units of 1.5MW each of Laizhou Wind Power Company were included into the grid and commenced operation on 16 September 2008. Two 660MW generating units in the new project of Wuhu Company completed the 168-hour trial operation at full loaded capacity as required by the State on 24 June 2008 and 20 December 2008 respectively. Two 12.5MW generating units in the 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 and 7 December 2008 respectively. The first 300MW generating unit of Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Shijiazhuang Yuhua Thermal Power Company") which is 60% owned by Shijiazhuang Thermal Power Company completed the 168-hour trial operation at full loaded capacity as required by the State on 23 January 2009 and the second 300MW generating unit is still under construction.*

Company Profile (Continued)

Note 4: *The four 230MW hydroelectric generating units project of Luding Hydropower Company were approved by the National Development and Reform Commission of the PRC (the "NDRC") on 3 March 2009.*

Note 5: *On 13 February 2008, the Company and China Huadian Corporation ("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 Za-gunao Hydroelectric Development Company Limited" (collectively referred to as the "Four Power Enterprises") (the "Equity Transfer Agreement"). All the terms of the Equity Transfer Agreement had been fulfilled. The equity transfer date of the Four Power Enterprises was 1 July 2008.*

Note 6: *Luohe Company was incorporated on 28 September 2008, in which the Company holds 75% equity interests, and has been included into the Group's consolidated financial statements since its incorporation.*

Note 7: *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 8: *On 29 December 2008, the Company and 12 natural person shareholders entered into an agreement to acquire 100% equity interests held by them in Huarui Company. Upon completion of the agreement, the interested installed capacity of the Group increased by 764.7MW. For details, please refer to the announcement of the Company dated 29 December 2008 and the circular to shareholders dated 15 January 2009. Huarui Company has been included into the Group's consolidated financial statements since 1 January 2009. The interested capacity of Huarui Company currently held by the Group amounted to 957.3MW.*

Note 9: *The controlled installed capacity of the Group refers to the total installed capacity of the Company, its subsidiaries, jointly controlled entity and associates of which the Company is the largest shareholder.*

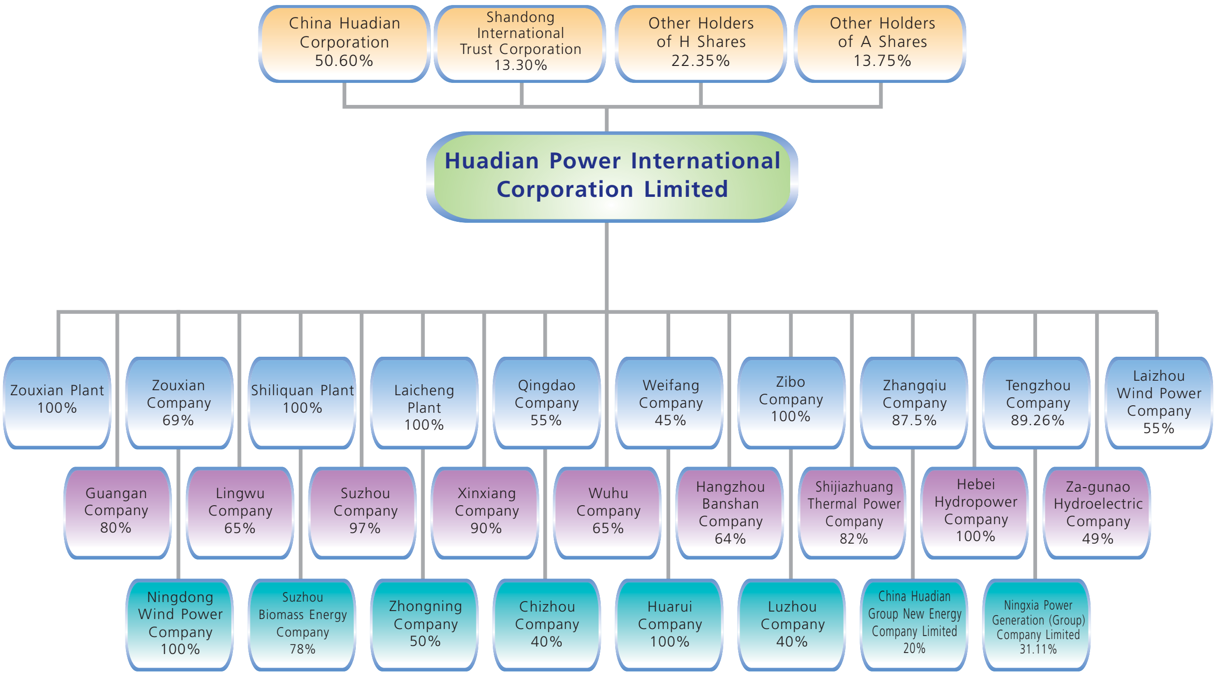
Note 10: *The installed capacities of the Company and companies controlled or invested by the Company as at the date of this report, based on the respective percentage equity interests held by the Company.*

During the reporting period (from 1 January 2008 to 31 December 2008), the Group's generating units were operating safely and stably, achieving the safe production target for the year. Tengzhou Company managed by the Group had recorded continuous safe production for over 4,000 days; Qingdao Company and Zibo Company had recorded continuous safe production for over 3,700 days; Weifang Company and Laicheng Plant had recorded continuous safe production for over 3,300 days; and Zouxian Plant had recorded continuous safe production for over 2,900 days.

Company Profile (Continued)

SHAREHOLDING STRUCTURE

The shareholding structure of the Company, its principal subsidiaries, associates and jointly controlled entity as at the date of this report is set out as follows:



Particulars of the Company's subsidiaries, associates and jointly controlled entity as at 31 December 2008 are set out in notes 19, 20 and 21 respectively of the financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") included in this annual report.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Chairman's Statement

Yun Gongmin
Chairman

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2008.The past year is the grimmest one since our establishment. The surge of coal price increased the Group's operating cost significantly, leading to loss of annual results. Faced by soaring electical coal price, continued coal undersupply, multiple natural disasters and other unprecedented adversities, the Group's management and staff, under the support of the government and shareholders, fought hard with concerted efforts to overcome the plight. We managed to ensure safe and stable operation of power generating units despite all difficulties. By actively competing for electricity quota and optimizing power structure, we strived to generate more electricity.

Electricity generation of the Group during the year ended 31 December 2008 amounted to 96.54 million MWh, representing an increase of approximately 37.38% over 2007 (power generation calculated in accordance with domestic reporting scope* amounted to 100.68 million MWh, representing an increase of approximately 27.12% over 2007); operating turnover for the year amounted to RMB29,997 million, representing an increase of approximately 47.47% over 2007. Loss attributable to equity shareholders of the Company amounted to RMB2,560 million. Loss per share was RMB0.425. The board of directors of the Company did not recommend the payment of a final dividend for the financial year of 2008.

During the reporting period, the Group strengthened standard governance and system construction with uplifted governance level. In the 2008 Chinese listed company governance ranking, the Group placed 9th, being the only power generation enterprise among top 20.

From 1 January 2008 to the date of this report, the Group continued its twin-engined strategy of construction and acquisition. Two 660MW coal-fired units of Wuhu Company, 25MW biomass unit of Suzhou Biomass Energy Company, 40.5MW wind power unit of Laizhou Wind Power Company and one 300MW heat-power co-generating unit of Shijiazhuang Yuhua Thermal Power Company commenced commercial operation in tandem. While building new units, the Group acquired 2,220MW operating units and 663MW units under construction of Za-gunao Hydroelectric Company, Hangzhou Banshan Company, Shijiazhuang Thermal Power Company and Hebei Hydropower Company from China Huadian. The Group also acquired 100% equity interest in Huarui Company in 2009, increasing interested installed capacity of the Group by 764.7MW. By setting its foot in Zhejiang and Hebei provinces for the first time, the Group extended its service coverage to eight provinces, which marked another firm step toward a national outstanding modern public power company. As power supply and demand pattern changes and power reform goes deeper, evolution and competition of the market is getting more intensive. Power generation groups will not only scramble for limited resources such as the power source projects, coal resources, water resources and transport capacity, but also initiate all-round and in-depth competition in equipment structure, market share, business efficiency and management performance.

To increase the rate of return for shareholders and strengthen its core competitiveness, the Group has been continuously exploring new opportunities for development of electricity business throughout the country, with a view to maintaining its position as one of the largest and most competitive listed power producers in the PRC. Projects under construction and planning are proceeding smoothly. As at the date of this report, the Group's projects under construction include: two 1,000MW units of Lingwu Company, two 300MW heat-power co-generating units of Luohe Company, one 300MW heat-power co-generating unit of Shijiazhuang Yuhua Thermal Power Company, four 230MW hydroelectric units of Luding Hydropower Company, 363MW hydroelectric unit of Za-gunao Hydroelectric Company, 300MW wind power unit of Beiqinghe project in Tongliao, 49.5MW wind power unit of Yihetala project in Tongliao, 45MW wind power unit of Ningdong Wind Power Company Phase II project and 100.5MW wind power unit of Guyuan project in Hebei.

In addition, the Group had applied to the State or relevant local authorities for approval of its projects, including two 300MW heat-power co-generation project of Zibo Company, two 300MW heat-power co-generation project in Qudong, Henan, two 300MW heat-power co-generation project of Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited, expansion project for one 600MW coal-fired generating unit of Anhui Huadian Liuan and Kezuozhongqi Phase I 49.5MW wind power project in Tongliao, Inner Mongolia.

During the past year, the Group's achievement in its operating results was attributable to the unremitting efforts devoted by its staff as well as the support of local shareholders and governments . I hereby express my heartfelt gratitude to them. In future operation and development, the Company will strive to create better results to render satisfactory return to shareholders.

Yun Gongmin
Chairman

Beijing, the PRC
8 April 2009

* *In accordance with China Accounting Standards for Business Enterprises (2006) ("CAS (2006)"), the entities under common control, acquired by the Company during the year, were combined in the consolidated financial statements prepared under CAS (2006) as if the combination had occurred at the date that common control was established. The opening balances and the comparative figures of the consolidated financial statements prepared under CAS (2006) are restated accordingly.*

Business Review and Outlook

BUSINESS REVIEW

(1) Power Generation

Power generation of the Group during 2008 amounted to 96.54 million MWh, representing an increase of approximately 37.38% over 2007; on-grid power supply amounted to 90.60 million MWh, representing an increase of approximately 38.53% over 2007 (power generation calculated in accordance with domestic reporting scope* amounted to 100.68 million MWh, representing an increase of approximately 27.12% over 2007; on-grid power supply amounted to 93.62 million MWh, representing an increase of approximately 27.12% over 2007).

(2) Turnover

In 2008, turnover amounted to RMB29,997 million, representing an increase of approximately 47.47% over 2007. Revenue generated from sale of electricity for the year 2008 amounted to RMB29,275 million, representing an increase of approximately 46.31% over 2007; the revenue generated from sale of heat for the year 2008 amounted to RMB722 million, representing an increase of approximately 117.32% over 2007.

(3) Operating results

For the year ended 31 December 2008, the Group's loss attributable to equity shareholders of the Company amounted to RMB2,560 million. Loss per share was RMB0.425.

(4) New installed capacity

From 1 January 2008 to the date of this report, there were 1,685.5MW thermal power generating units and wind power generating units of the Group which commenced operation:

Project Name	Capacity (MW)	Date of completion of trial operation at full loaded capacity as required by the State
The first unit of Wuhu Company	660	24 June 2008
The second unit of Wuhu Company	660	20 December 2008
The first unit of Suzhou Biomass Energy Company	12.5	1 August 2008
The second unit of Suzhou Biomass Energy Company	12.5	7 December 2008
Laizhou Wind Power Company	40.5	included into the grid and commenced operation on 16 September 2008
The first unit of Shijiazhuang Yuhua Thermal Power Company	300	23 January 2009
Total	1,685.5	

Business Review and Outlook (Continued)

(5) Construction in progress

As at the date of this report, the Group's major projects under construction are as follows:

Name of project under construction	Installed capacity
Lingwu Company Phase II Project	2 x 1,000MW generating units
Heat-power Co-generating Project of Luohe Company	2 x 300MW generating units
Shijiazhuang Yuhua Thermal Power Company	1 x 300MW generating unit
Luding Hydropower Company	4 x 230MW hydroelectric generating units
Za-gunao Hydroelectric Company	363MW hydroelectric generating units
Beiqinghe Project in Tongliao	300MW wind power generating units
Yihetala Project in Tongliao	49.5MW wind power generating units
Ningdong Wind Power Company Phase II Project	45MW wind power generating units
Guyuan Wind Power Project in Hebei	100.5MW wind power generating units
Total	4,678MW

(6) Preliminary projects

The Group had applied to the State or relevant local authorities for approval of its projects, including two 300MW heat-power co-generating project of Zibo Company, two 300MW heat-power co-generating project in Qudong, Henan Province, two 300MW heat-power co-generating project of Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited, expansion project for one 600MW coal-fired generating unit of Anhui Huadian Liuan and Kezuozhongqi Phase I 49.5MW wind power project in Tongliao, Inner Mongolia.

BUSINESS OUTLOOK

(1) Power generation industry trend and market competitions faced by the Group:

In April 2007, the NDRC published "11th Five-Year Plan of Energy Development", presenting the guideline for power construction in the 11th Five-Year Plan, which is to actively develop hydropower based on environment protection and migration settlement, while optimizing thermal power, promoting nuclear power and developing renewable energy at full scale. In the 11th Five-Year period, China is to optimize the structure of power generation industry, enhance energy saving and emission reduction and increase the portion of nuclear power, hydropower and other renewable energy. Based on rationalised power source structure and deployment, China will also promote electricity transmission from West to East and mutual power supply between South and North to expand resource optimization and allocation.

Shadowed by the global financial crisis, power consumption showed signs of retreat since late 2008. Growth rate of both power generation and consumption had slowed down. However, with the progressive implementation of the economy stimulus packages continuously formed by the government of China, China's economy is expected to maintain a certain growth rate. The government has also set out the goal of preserving 8% GDP growth for 2009. Therefore, the demand for power in China will continue to increase, therefore greater development space for power enterprises.

Most of our generating units are stable and environment friendly thermal power units with characteristics of high parameter, large capacity, high efficiency and low coal consumption. Over 90% of our installed capacity is composed by units of 300MW or above. The Group's thermal power units are on top of the list in terms of energy saving dispatching policy, which brings sharper edge in on-grid power generation. While pressing ahead with large capacity and environmental friendly thermal power projects, the Group has made remarkable progress in new energy projects. With the production of biomass energy, hydropower, wind power and other new energy projects, power source structure of the Group is continuously improving.

(2) Development strategy to address the opportunities and challenges in the future:

Development strategy: under the guidance of scientific development perspective, focusing on economic profit, powered by reform and innovation, setting power generation as principal business, backed by coal industry, aiming to enhance overall competitiveness and accelerate optimization, the Group is committed to building itself into a modern nationwide outstanding listed power company with sound asset structure, excellent economy of scale, superior management and major strength in power business.

Opportunity: firstly, macro economy opens window for growth. Generally, macro environment for China's economy is largely positive. The PRC government has prioritized economic measures for a stable and rapid economic progress for 2009, combining "growth maintenance, domestic demand stimulation and structure realigning" to secure balanced and rapid economic development. A focus of the government's stimulus package, among others, is to enhance infrastructure and large scale key projects with more intensive investment. As a basic national economic sector and pillar of economy, power generation industry which evolves in line with national economy is expected to sustain a long-term rapid momentum, thus providing future opportunities to the Group's quantum leap. Secondly, the upturn in coal market is positive to lowering our operation cost. As most of our units are thermal, coal cost takes substantial portion in our operation cost. Due to slowed global economic growth under the financial crisis, commissioning of domestic coal capacity and improved railway transportation capacity, coal undersupply is to ease and the Group will benefit from lower coal price and higher coal quality to reduce operation cost. This is an opportunity for the Group to adjust coal supply source and industry structure. Thirdly, the proactive fiscal policy and easy monetary policy are lowering our financial expenses. The continuous interest rate cuts for bank loans, value-added tax transformation and lower income tax rate are effectively reducing our financing cost and tax burden. Fourthly, two tariff adjustments in China in 2008 partly removed pressure on our operation. As coal price surged continuously from the beginning of 2008, thermal power enterprises suffered widespread loss, some even faced stalled liquidity. As a result of two upward adjustment to on-grid electricity tariff in China in July and August 2008 respectively, the average on-grid electricity tariff (value-added tax inclusive) of the Group increased by RMB3.973 cents/KWh, up approximately 10.64% (based on weighted average capacity). The two tariff adjustments partly removed pressure on our operation.

The Group is facing challenges to future operation as well. First is power demand shrinking. Under the dual impact from slower national economy and rapid increase in installed capacity in China, electricity demand growth of the society is slowing down. Oversupply and surplus capacity in the power market justified the estimation of lower utilization hours of the Group in 2009. Second is the uncertainty in coal price.

MAJOR OBJECTIVES OF THE GROUP IN 2009:

Priority of the Group for 2009 is to end loss and make profit. The Group set the following overall guideline for 2009: to focus on turnaround efforts and aim to enhance the Group's relative competitiveness; to put more efforts in practice and study of scientific development perspective as well as "Year of Management Innovation" campaign; to attach importance to industrial structure optimization, power source structure and regional structure; to coordinate and control four keys including marketing, fuel issues, capital operation and management innovation; to further strengthen safe production, team building and political works; to tackle difficulties and forge ahead; to secure the achievement of various targets and tasks for the year; to create a new situation for the Group's scientific development; and to build the Company into an excellent modern listed power generation enterprise in China at a more rapid pace. Assuming there is no significant change in external environment, the Group is expected to achieve power generation of approximately 100 million MWh with around 4,700 utilization hours for coal-fired units. Coal price will be reduced by a certain extent in 2009 as compared with 2008. The details are as follows:

1. To reinforce safe production management so as to ensure a safe, steady and economic operation of generating units.

2. To strengthen power marketing. To take advantage of large scale generating units and optimize power structure, aiming to ensure the achievement of annual targets for electricity generation and utilization hours.

Chen Jianhua
Executive Director
and General Manager

3. To put more efforts in fuel management. To further enhance the long-term strategic partnership with coal suppliers so as to secure coal supply, to adjust coal supply structure, to optimize coal procurement channels, to improve coal quality, and to lower coal price.

4. To fully strengthen capital management. To further expand financing channels and lower financing cost, so as to meet the financial needs from the Company's future expansion.

5. To proactively push forth the progress of the Company's preliminary projects. To bring scientific development perspective into practice, and to further optimize industrial structure, power source structure and regional structure.

6. To improve project management. To insist in the profit-oriented principle and strive to reduce construction cost, aiming to improve the profitability and competitiveness of the projects put into operation.

7. To further carry out "Year of Management Innovation" campaign and fully upgrade management.

8. To strengthen standard operation and improve capital operation capability.

Chen Jianhua
Executive Director and General Manager

Beijing, PRC
8 April 2009

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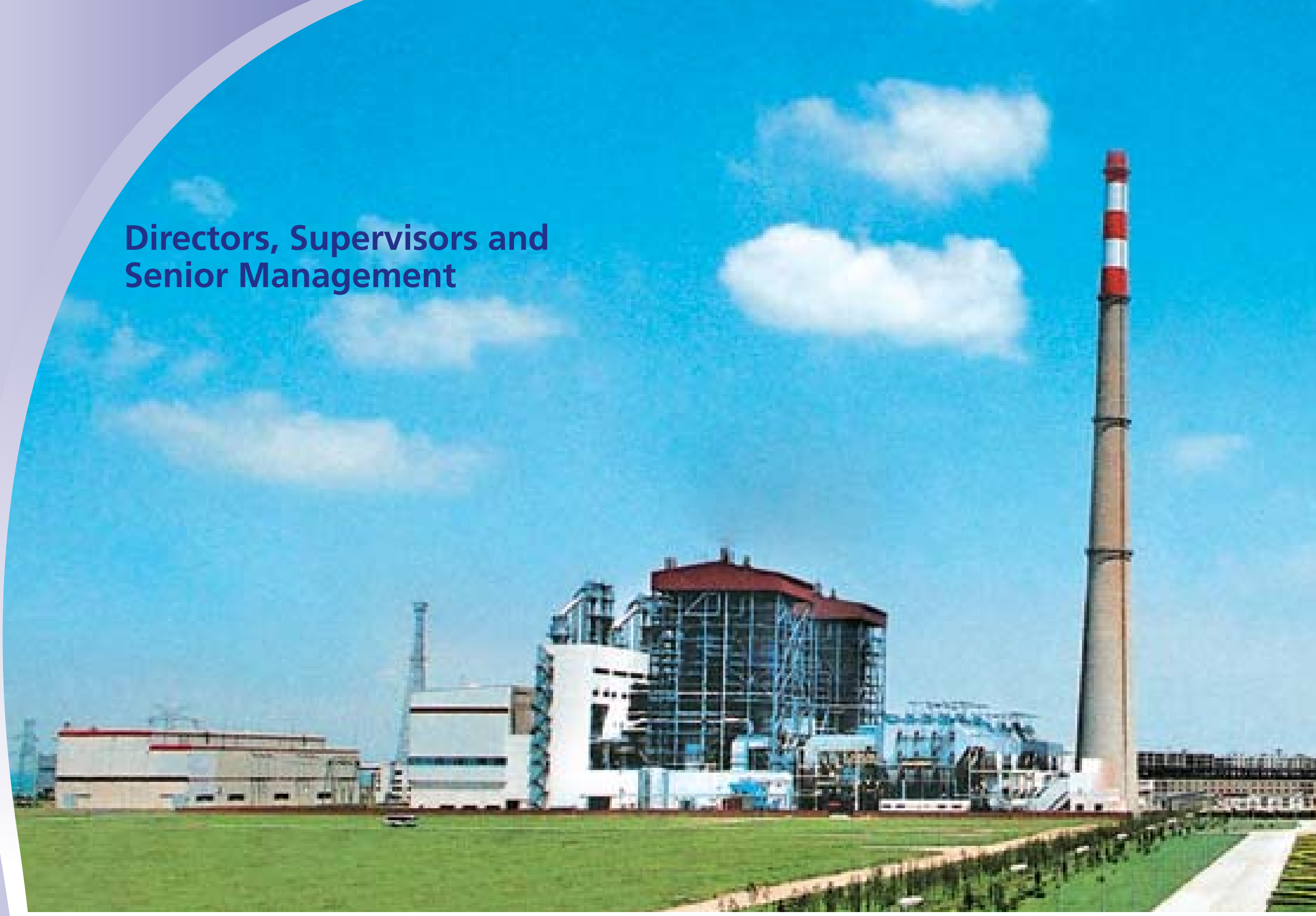

Directors, Supervisors and Senior Management

DIRECTORS

Mr. Yun Gongmin, Chinese, born in September 1950, graduated from the Heat Energy Engineering Department of Tsinghua University majoring in Auto Manufacturing. He is currently the Chairman of the Company as well as the general manager of China Huadian Corporation. Mr. Yun had served as Deputy Chairman of the board of directors and Chairman of Labor Union of Shenhua Group Corporation Limited and a non-executive director of China Shenhua Energy Company Limited, which is listed on the Hong Kong Stock Exchange (stock code: 1088). Mr. Yun had also served as Vice General Secretary of Shanxi Provincial Committee of the Communist Party of China (the "CPC"), director of the Publicity Department of Shanxi Provincial Committee of CPC, a member of the Standing Committee of Shanxi Provincial Committee of CPC, General Secretary of Taiyuan Municipal Committee of CPC, Vice Governor of Shanxi Province, Vice President of the Inner Mongolia Autonomous Region, Assistant to the President of the Inner Mongolia Autonomous Region, Chief of Yikezhao Banner of Inner Mongolia and General Secretary of Yikezhao Banner Committee of CPC and director of the Working Committee of the People's Congress of Yikezhao Banner. Mr. Yun has over 30 years of experience in government administration and industry management.

Mr. Chen Feihu, Chinese, born in July 1962, graduated from Renmin University of China with a bachelor's degree. He is currently the Vice Chairman of the Company as well as the Deputy General Manager of China Huadian Corporation. He is also the Chairman of China Huadian Corporation Capital Holding Company Limited and the Chairman of China Huadian Corporation Finance Company Limited. Mr. Chen had served in the Production and Finance Division of Finance Bureau of Ministry of Electric Power and Industry, the Production and Finance Department of Finance Bureau of Ministry of Water Resources and Electric Power, Electric Enterprise Division of Economic Regulation Bureau of Ministry of Energy, Production Division of Finance Department of China Electricity Council, Economic Regulation Division of Economic Regulation Bureau of the Ministry of Electric Power, Fujian Provincial Bureau of Electricity Industry, Economic Regulation Bureau of the Ministry of Electric Power, Finance and Assets Operation Department of State Power Corporation, General Manager Department and Institutional Reform Office of State Power Corporation and State Power Corporation. He has 28 years' experience in electricity generation, public finance, banking and finance and macro economic management, etc.

Mr. Meng Fanli, Chinese, born in August 1965, a Ph.D. and professor, graduated from Nankai University. He is currently serving as the Vice Chairman and General Manager of Shandong Luxin Investment Holdings Group Co., Ltd., and Chairman of Shandong International Trust Corporation. He had worked at Shandong Finance Institute, Financial Department of Shandong Province, Shandong Luxin Investment Holdings Group Co., Ltd. and Shandong International Trust Corporation (part-time). He has 23 years' experience in accounting education, financial management and corporate operation.

Mr. Chen Jianhua, Chinese, born in May 1960, is a senior engineer with a master's degree. He is currently a director and the General Manager of the Company. Mr. Chen graduated from Shandong University. He has 27 years' experience in electric power generation, operating management and securities finance. Before joining the Company, Mr. Chen had worked at Qingdao Plant and Shandong Electric Power Group Corporation.

Ms. Wang Yingli, Chinese, born in September 1961, is a senior engineer with university qualification and holds a MBA degree. She is currently a director of the Company, the Deputy General Manager of Shandong International Trust Corporation. She is also a director of Jinan International Airport Co., Ltd., Shandong Nuclear Power Company Ltd., and Shandong Century Electric Power Development Co., Ltd., respectively, and a Supervisor of Shandong Airline Group Co., Ltd.. Ms Wang commenced her job career in 1981. Ms Wang has 27 years' experience in macroeconomics, trust and investment management. Ms. Wang had worked at Shandong University and Shandong International Trust Corporation.

Mr. Chen Bin, Chinese, born in November 1958, an engineer and bachelor of law, is currently the Head of Marketing Department of China Huadian Corporation. He is also the Chairman of Huadian (Beijing) Thermal Power Company Limited, a director of Shanghai Huadian Power Development Company Limited and a director of Huadian Coal Industry Group Company Limited. Graduated from Hebei University, Mr. Chen has 28 year's experience in power management. Mr. Chen joined the People's Liberation Army of China in 1976. From 1980, Mr. Chen has successively held such positions as Secretary of Communist Party of China Committee, Technician and Deputy Head of Overhaul Section of Hangzhou Zhakou Power Plant; Secretary and Deputy Head of Working Office of Power Bureau of Zhangjiang Province; Deputy Factory Manager and Factory Manager of Hangzhou Banshan Power Plant; General Manager and Party Secretary of Hangzhou Banshan Electric Power Co., Ltd.; and Head and Party Secretary of Zhejiang Representative Office of China Huadian Corporation.

Mr. Zhong Tonglin, Chinese, born in February 1960, is a senior engineer. Mr. Zhong graduated from Xi'an Jiaotong University with a master's degree. He is currently a director and the Deputy General Manager of the Company. He is also the Chairman of Huadian Zouxian Power Generation Company Limited, the Chairman of Huadian Qingdao Power Generation Company Limited, the Chairman of Huadian Weifang Power Company Limited, Chairman of Sichuan Guangan Power Generation Company Limited, Chairman of Sichuan Huadian Luding Hydropower Company Limited and a Vice Chairman of Ningxia Power Generation Company (Group) Limited. Mr. Zhong graduated from the Shanghai Electric Power College. He has 26 years' experience in electric power infrastructure, design, management and securities finance. Before joining the Company, Mr. Zhong had worked at the Shandong Province Electric Power Design Institute, the Shandong Electric Power Infrastructure Company, Shandong No. 3 Electric and Construction Company and Shandong Electric Power Group Corporation.

Mr. Chu Yu, Chinese, born in August 1963, an engineer, graduated from Shanghai Electric Power College. He is currently serving as Deputy Head (in charge) of Financial Management Department of China Huadian Corporation. He had worked at Yangzhou Power Plant, Yangzhou Power Generation Co., Ltd., China Huadian Corporation Jiangsu Branch and China Huadian Corporation. He has 24 years' experience in electricity generation and operation management.

Mr. Zhao Jinghua, Chinese, born in May 1962, is a professor and Ph. D. tutor and is currently an independent director of the Company. He is also an independent director of Langchao Electronic Information Industry Co., Ltd. and an independent director of Shandong Luneng Taishan Cable Co, Ltd. He has been the deputy head and head of the Economic and Management Department of Shandong University, the deputy head and head of Management School of Shandong University, chief expert of the base for economics and management research of Shandong Province, member of Professional Educational Instruction Commission of higher school industry and business management studies under the Ministry of Education and member of the 7th and 8th sessions of Shandong Political Consultative Committee. Mr. Zhao has participated in training course for independent directors of listed companies jointly organized by China Securities Regulatory Commission and School of Economics and Management of Tsinghua University and got the Certificate of Completion of Attendance during the period from 15 July 2001 and 20 July 2001. Mr. Zhao is currently the head of Capital Operation and Enterprise Strategy Research Centre of the Central University of Finance and Economics, the Head of School of Government of the Central University of Finance and Economics, the Head of MPA Education Center of the Central University of Finance and Economics, Standing Member of PRC Enterprise Management Research Association and Deputy Secretary General of PRC Management Modernization Research Association.

Mr. Ding Huiping, Chinese, born in June 1956, is a professor and Ph.D. tutor and is currently an independent director of the Company. He is also an independent director of Shandong Luneng Taishan Cable Co. Ltd and CRBC International Co., Ltd. Mr. Ding graduated from Northeastern University with a bachelor's degree in February 1982. He studied in Sweden since 1987 and acquired an associate doctoral degree in Industry Engineering in 1991, a doctoral degree in Enterprise Economic in 1992 and conducted post-doctoral research. He has been working at Economic and Management School of Northern Jiaotong University (presently known as Beijing Jiaotong University) since 1994 when he came back to China. Research directions: Theory of enterprise economics and innovative management, supply chain management and enterprise informatization operation, investment and financing decisions and assessment of enterprise values. He is currently the Head of PRC Enterprise Competitiveness Research Center of Beijing Jiaotong University.

Directors, Supervisors and Senior Management (Continued)

Mr. Wang Chuanshun, Chinese, born in August 1965, is a senior accountant and is currently an independent director of the Company. Mr. Wang graduated from the Agricultural Economics Department of Southwest Agricultural University in 1990 with a master's degree. In the same year, he worked for Audit Department of Shandong Province, and has been the auditor of Audit Department of Shandong Province, the deputy head of Shandong Accounting Company Limited, deputy general manager of Shandong Zhengyuan Accountants Limited, and a deputy head and accountant of Shandong Zhengyuanhexin Accountants Limited. He is currently a head of Shandong Branch of Zhongrui Yuehua Certified Public Accountants Co., Ltd.

Mr. Hu Yuanmu, Chinese, born in November 1954, is a professor, Ph.D, and a part time tutor of Ph.D of Shandong University of Science and Technology. Graduating from Tianjin University of Finance and Economics, he is currently an independent director of the Company. Since July 1983, Mr. Hu had held positions including the deputy head and head of the faculty of accountancy, the head of education administration department, and assistant to the dean in Shandong Economic College, standing vice president of Yanshan College, and a key academic fellow of Shandong Economic College. He also held social positions including director of the Accountancy Teaching Society of China, a deputy head of College Division of PRC Business Accountancy Society, a deputy president of Shandong Auditing Society, a deputy president of Shandong Accountancy Teaching Society, a standing committee member of Shandong Accountancy Society and deputy president of Jinan Auditing Society. Research directions: Accounting, Chrematistics and Auditing.

SUPERVISORS

Mr. Li Xiaopeng, Chinese, born in March 1973, a senior economist with master's degree, is currently the Manager of Infrastructure Fund Management Department of Shandong International Trust Corporation, and concurrently acted as the Director of Shandong Century Electric Power Development Co., Ltd., Shanxi Lujin Wangqu Power Generation Co., Ltd, and Hanji Railway Co., Ltd.. Mr. Li has been working in Shandong International Trust Corporation since he started his career in 1995. He has extensive experience in fund, investment, financing and securities.

Mr. Peng Xingyu, Chinese, born in February 1962, is a Chinese Certified Public Accountant with a master's degree. Graduated from Wuhan University, Mr. Peng is a senior accountant. He is currently a director of the Company and Chief Auditor of China Huadian Corporation. He is also the Chairman of Hunan Huadian Changsha Power Generation Co., Ltd., a director of Huadian Coal Industry Group Company Limited and a director of Huadian Fujian Power Generation Co., Ltd. Mr Peng had worked at Huazhong Electric Power Management Bureau, China Huazhong Electric Power Group Company and Hubei Electric Power Company in which he was engaged in operation and financial assets management, and acted as the Head of Financial Assets Department, Finance Department and Operation Department and Chief Accountant in tandem. He has 27 years' experience in the industries of electric power generation, operation and capital management.

Ms. Zheng Feixue, Chinese, born in November 1955, a senior political engineer, graduated from the Northeast Electricity College majoring in power plant and electricity system. She is currently a supervisor of the Company and the Secretary to the Party Committee of Shiliquan Plant. Ms Zheng has been with Zouxian Power Plant since 1982, and has acted in various capacities. She has 26 years' experience in electricity generation and management.

COMPANY SECRETARY

Mr. Zhou Lianqing, Chinese, born in November 1960, is a senior engineer and graduated from Shandong University with a master's degree. He is currently the Secretary to the board of the Company and a Vice Chairman of Huadian Zhangqiu Power Generation Company Limited and an associate member of the Hong Kong Institute of Company Secretaries. Mr. Zhou has worked since 1982. Before joining the Company, Mr. Zhou had worked at the Shandong Xindian Power Plant and Shandong Electric Power Group Corporation. He has 26 years' experience in electric power generation, management, laws and regulations, finance, investor relations and securities management.

SENIOR MANAGEMENT

Mr. Zhu Fangxin, Chinese, born in October 1951, graduated from Xi'an Jiaotong University with a master's degree, is a registered accountant and registered auditor. He is currently the Chief Supervisor of Financial Affairs of the Company. Before joining the Company, Mr. Zhu had worked in the finance department of the Shandong Electric Power Bureau, the General Services Company of Shandong Electric Power Bureau, Shandong Luneng Development (Group) Company Limited, Shandong Electric Power Group Corporation and Shandong Luneng Electric Power Fuel Company Limited. He has 36 years' experience in financial management and securities finance.

Mr. Wang Wenqi, Chinese, born in March 1963, is a senior engineer with a master's degree. He is currently a Deputy General Manager of the Company. He is also the Chairman of Huadian Zibo Thermal Power Company Limited, the Chairman of Huadian Zhangqiu Power Generation Company Limited and the Chairman of Huadian International Materials Company Limited. Mr. Wang graduated from Baylor University in United States of America. He has 26 years' experience in electric power examination, research, management and securities finance. Before joining the Company, Mr. Wang had worked at the Shandong Electric Power Science and Research Institute and Shandong Electric Power Group Corporation.

Mr. Bai Hua, Chinese, born in May 1958, a senior political engineer with master's degree, is currently Deputy General Manager of the Company and also the Chairman of Huadian Xinxiang Power Generation Company Limited, Huadian Ningxia Lingwu Power Generation Company Limited, Anhui Huadian Wuhu Power Company Limited, Anhui Huadian Suzhou Power Generation Company Limited, Huadian Luohe Power Company Limited and Huadian International Shandong Project Management Company Limited. Mr. Bai graduated from Wisconsin International University in United States of America, majoring in business administration and having 33 years' experience in power generation, operation and management. He had worked at Huadian International Corporation Limited Laicheng Power Plant, Huadian Weifang Power Generation Company Limited and Huadian International Corporation Limited Zouxian Power Plant.

Mr. Wang Hui, Chinese, born in January 1964, a postgraduate, is currently serving as Deputy General Manager of the Company, Chairman of Sichuan Huadian Za-gunao Hydroelectric Development Company Limited, and also as vice Chairman and General Manager of Sichuan Huadian Luding Hydropower Company Limited. Mr. Wang graduated from Tsinghua University in Beijing, started his career in 1985, having 23 years' experience in hydropower generation design, infrastructure, production, operation and management. Before joining the Company, Mr. Wang served in Qinghai Longyangxia No.4 Engineering Bureau of the Ministry of Hydraulic and Electric Engineering, Qinghai Lijiaxia No.4 Engineering Bureau project office of the Ministry of Hydraulic and Electric Engineering, Comprehensive Office Of Hydropower Development Department of the Ministry of Energy, Hydropower Development Section of Hydropower and Agriculture Electricity Department of the Ministry of Power, Hydropower Development Section of Hydropower Department of State Electric Power Corporation, New Energy Section of State Electric Power Corporation, Quality and Technology Section of Power Department of State Electric Power Corporation, Hydro Power Section of Power Department of State Electric Power Corporation and Technical Section of Engineering Technology Department of China Huadian Corporation.

Mr. Peng Guoquan, Chinese, born in October 1966, a senior engineer with a master's degree, is currently the Deputy General Manager of the Company and a director of China Huadian Group New Energy Development Company Limited. Mr. Peng graduated from Huazhong University of Science and technology, majoring in thermal energy and power, having 19 years' experience in power generation and management. Before joining in the Company, Mr. Peng had served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Company Limited.

Mr. Xie Yun, Chinese, born in November 1963, a senior engineer with bachelor's degree, graduated from Thermal Engineering Department of Tsinghua University. He is currently the Chief Engineer of the Company. Before joining the Company, Mr. Xie served in the Huabei Electricity Research Institute, Safe Production Department of the Ministry of Power, Generation and Transmission Operation Department of State Electric Power Corporation, and Production Operation Department of China Huadian Corporation. He has 22 years of work experiences in scientific research, production and management of electric power.

Management Discussion and Analysis

(1) MACROECONOMIC CONDITIONS AND ELECTRICITY DEMAND

According to the relevant information and statistics, the gross domestic product ("GDP") of the PRC in 2008 amounted to RMB30,067.0 billion, representing an increase of 9.0% over 2007. Power consumption of the whole society totalled 3,426.8 million MWh, representing an increase of 5.2% over 2007, of which the consumption of the primary, secondary and tertiary industries accounted for 87.9 million MWh, 2,586.3 million MWh and 349.3 million MWh respectively, representing a year-on-year increase of 1.9%, 3.8% and 9.7% respectively.

Currently, the Company's power generating units in operation or under construction are located in Shandong, Sichuan, Ningxia, Anhui, Henan, Hebei, Zhejiang and Inner Mongolia Provinces/Autonomous Regions, which are regions with fast-growing economy and considerable GDP growth in recent years. Based on comparable prices, the GDP growth rates of Shandong, Sichuan, Ningxia, Anhui, Henan, Hebei, Zhejiang and Inner Mongolia Provinces/Autonomous Regions in 2008 reached 11.5%, 9.5%, 12.0%, 12.7%, 11.9%, 10.1%, 10.1% and 17.2% respectively. Their GDP growth rates outperformed the national average by 2.5, 0.5, 3.0, 3.7, 2.9, 1.1, 1.1 and 8.2 percentage points respectively. Among which Shandong Province has recorded double-digit economic growth for consecutive years.

The Group will build up an optimized assets structure of "one principal business with diversification", namely, taking large-scale coal-fired thermal power as the principal business, supplemented with hydropower, wind power and other renewable energy sources and guaranteed by coal resources. The Group aims to enhance asset profitability comprehensively to achieve improvement in both scale and efficiency and further improve its overall competitiveness.

(2) TURNOVER AND LOSS

In 2008, the Group strengthened the management, strove for planned output, optimized dispatch and achieved a considerable increase in the volume of power generation. The total volume of electricity supplied by the Group to the grid for the year 2008 was 90.60 million MWh, surging by approximately 38.53% over 2007 (on-grid power supply that fall within the domestic reporting scope* amounted to 93.62 million MWh, representing an increase of approximately 27.12% over 2007). Turnover for the year 2008 amounted to RMB29,997 million, representing an increase of approximately 47.47% over 2007. Loss attributable to equity shareholders of the Company amounted to RMB2,560 million. Loss per share was RMB0.425. The increase in turnover was mainly due to the inclusion of the newly acquired Four Power Enterprises in 2008 into the Group's consolidated financial statements, the growth in volume of electricity sold and the effect of the two upward adjustments of on-grid tariff in 2008.

(3) OPERATING EXPENSES

In 2008, the operating expenses of the Group amounted to RMB30,608 million, representing an increase of approximately 76.03% over 2007, which was mainly due to surging coal price in 2008, the increase in installed capacity and power generation, and the inclusion of the newly acquired Four Power Enterprises in 2008 into the Group's consolidated financial statements.

The principal contribution to the operating expenses of the Group was coal costs, which amounted to RMB22,660 million in 2008, accounting for approximately 74.03% of the Group's operating expenses and representing an increase of approximately 96.00% over 2007, mainly due to the increase in coal price and power generation.

Depreciation and amortisation expenses of the Group amounted to RMB3,669 million in 2008, representing an increase of approximately 28.39% over 2007. This was mainly due to the inclusion of the newly acquired Four Power Enterprises in 2008 into the Group's consolidated financial statements and the additional depreciation of the newly-operated units.

The major overhaul and repair and maintenance expenses of the Group increased to RMB853 million in 2008, representing an increase of approximately 37.86% over 2007, mainly due to the inclusion of the newly acquired Four Power Enterprises in 2008 into the Group's consolidated financial statements and the increase in installed capacity and power generation.

Personnel costs of the Group amounted to RMB1,511 million in 2008, representing an increase of approximately 31.33% over 2007, mainly due to the inclusion of the newly acquired Four Power Enterprises in 2008 into the Group's consolidated financial statements and an increase in operating staff for newly-operated units.

Administrative expenses of the Group amounted to RMB972 million in 2008, representing an increase of approximately 49.65% over 2007. This was mainly due to the inclusion of the newly acquired Four Power Enterprises in 2008 into the Group's consolidated financial statements, a higher charge rate on pollutant emission as stipulated by the State, coupled with additional real estate tax, land use tax and charges for technical supervision of the newly-operated units.

Other operating costs amounted to RMB737 million, representing an increase of approximately 114.38% over 2007, mainly due to the inclusion of the newly acquired Four Power Enterprises in 2008 into the Group's consolidated financial statements, additional water expenses for power generation from the increased volume of power generation.

(4) FINANCE COSTS

Net finance costs of the Group in 2008 amounted to RMB2,810 million, representing an increase of RMB1,428 million, or approximately 103.36%, over 2007. This was mainly due to the inclusion of the newly acquired Four Power Enterprises in 2008 into the Group's consolidated financial statements, the increase in total loan interest charged in income statement due to the commencement of operation of new units and the increased average interest rates.

(5) CHARGES OF ASSETS

As at 31 December 2008, the Company and its subsidiaries, including Weifang Company, Zhangqiu Company, Zibo Company, Guangan Company, Tengzhou Company, Lingwu Company, Wuhu Company, Za-gunao Hydroelectric Company, Xinxiang Company and Suzhou Company, have altogether charged their income stream in respect of the sale of electricity or trade receivables for sale of electricity to banks as security for bank loans amounting to approximately RMB14,901 million.

(6) INDEBTEDNESS

As at 31 December 2008, the borrowings of the Group amounted to RMB57,054 million, of which loans denominated in US dollars amounted to US$181 million and denominated in EUR amounted to EUR18 million. The liabilities to assets ratio was 81.34%, representing an increase of 8.85 percentage points over that of 2007. This was mainly due to the increase in borrowings for expenditure of projects under construction and supplement of current capital. Loans of the Group were mainly floating rate loans. Short-term loans and long-term loans due within one year amounted to approximately RMB16,684 million, and long-term loans amounted to approximately RMB40,370 million. In addition, short-term debenture payables of the Group amounted to approximately RMB2,606 million.

(7) CONTINGENT LIABILITIES

As at 31 December 2008, Guangan Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to approximately RMB153 million to Sichuan Huayingshan Longtan Coal Power Company Limited, an associate of Guangan Company. Zhongning Company, a jointly controlled entity of the Company, provided guarantees for bank loans amounting to RMB36 million to Ningxia Power Generation (Group) Company Limited, an associate of the Company. Save as the guarantees disclosed above, the Group had no other material contingent liabilities.

(8) CASH AND CASH EQUIVALENTS

As at 31 December 2008, the Group had cash and cash equivalents of approximately RMB1,869 million.

(9) CASH FLOW ANALYSIS

In 2008, the net increase in consolidated cash and cash equivalents of the Group amounted to approximately RMB496 million. Of which, the net outflow of cash resulted from operating activities amounted to approximately RMB233 million (2007: net inflow of cash RMB3,355 million), the fluctuation was mainly due to the increase in operating cash outflow of the Group given coal price hike and interest expenses; the net outflow of cash resulted from investing activities amounted to approximately RMB11,392 million (2007: RMB10,163 millon), the fluctuation was mainly due to the increase of projects under construction and increased external investment of the Group in 2008 as compared to 2007; the net inflow of cash resulted from financing activities amounted to approximately RMB12,121 million (2007: RMB7,220 million), the fluctuation was mainly due to the increased loans by the Group in 2008.

(10) PRODUCTION, OPERATION AND SAFETY

In 2008, the equivalent availability factor of the generating units was approximately 91.62%; the equivalent forced suspension rate was approximately 0.57%.

In 2008, the Group maintained its operational safety at a decent level. As at 31 December 2008, all power plants of the Group had achieved operational safety throughout the year.

In 2008, a total of 18 major overhauls and 42 minor overhauls were undertaken in respect of the generating units of the Group and the planned overhaul rate was approximately 7.86%, representing an increase of approximately 3.1 percentage points over 2007.

(11) ENERGY SAVING AND ENVIRONMENTAL PROTECTION

In 2008, the Group put more effort in phasing out generating units of small capacity and shut down certain small thermal generating units of Shiliquan Plant and Qingdao Company in advance, with a total capacity of 329MW.

In addition, placing more emphasis on environmental protection, the Group carried out centralized renovation and strengthened operational management of desulphurisation facilities, resulting in higher utilization ratio of the facilities and desulphurisation efficiency. According to the emission reduction data approved by State environmental protection authorities, the Group's average emission of sulphur dioxide achieved a year-on-year decrease of 0.69 g/KWh. As at the end of 2008, generating units with a total capacity of 19,835MW, representing 92.56% of the coal-fired generating units controlled by the Group, were equipped with desulphurisation facilities. Meanwhile, the Group is implementing desulphurisation technological renovation for the 4 generating units with total capacity of 1,340MW of Zouxian Plant, which is currently in smooth progress.

(12) ISSUE OF 2008 FIRST AND SECOND TRANCHES OF SHORT-TERM DEBENTURES

The Company publicly issued the 2008 first and second tranches of short-term debentures in the PRC inter-bank debenture market on 17 March 2008. Please refer to paragraph (1) under Significant Events of this annual report.

(13) MAJOR ASSET ACQUISITION

In 2008, the Company acquired 64% equity interests in Hangzhou Banshan Company, 82% equity interests in Shijiazhuang Thermal Power Company, 100% equity interests in Hebei Hydropower Company and 49% equity interests in Za-gunao Hydroelectric Company from China Huadian. Besides, the Company acquired 100% equity interests in Huarui Company in 2009. Please refer to paragraph (7) under Significant Events and paragraph (3) under Connected Transactions of this annual report.

(14) ISSUE OF 2009 FIRST AND SECOND TRANCHES OF MEDIUM-TERM NOTES

The Company publicly issued the 2009 first and seond tranches of medium-term notes in the PRC inter-bank debenture market on 17 March 2009 and 25 March 2009, respectively. Please refer to paragraph (8) under Significant Events of this annual report.

* *In accordance with China Accounting Standards for Business Enterprises (2006) ("CAS (2006)"), the entities under common control, acquired by the Company during the year, were combined in the consolidated financial statements prepared under CAS (2006) as if the combination had occurred at the date that common control was established. The opening balances and the comparative figures of the consolidated financial statements prepared under CAS (2006) are restated accordingly.*

Directors Report

The board of the Company (the "Board") hereby presents the annual report together with the audited financial statements of the Group for the financial year ended 31 December 2008.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the generation and sale of electricity and heat. All electricity generated is supplied to the grid companies where the plants are located. As the Group is located and has been operating one single business in the PRC, no segmental reporting was included in the above mentioned financial statements. The loss of the Group for the year ended 31 December 2008 and the position of the Group's and the Company's financial affairs as of that date prepared in accordance with IFRS are set out on pages 69 to 144 of the annual report.

STATUTORY SURPLUS RESERVE

According to the Company's Articles of Association (the "Articles of Association"), the Company is required to transfer at least 10% (at the discretion of the Board) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after the issue of new shares is not less than 25% of the registered capital. The Board resolved not to make any appropriation (2007: resolved to transfer 10% of the profit for the year ended 31 December 2007) to this reserve on 8 April 2009.

DIVIDENDS

Pursuant to a resolution passed at the Board meeting held on 8 April 2009, no final dividend will be payable to shareholders for the financial year ended 31 December 2008, subject to the approval of the shareholders at the upcoming annual general meeting.

RESOLUTIONS PASSED AT THE BOARD MEETINGS IN 2008

In 2008, the Board convened a total of 12 board meetings, details of which are summarized as follows:

1. The 24th meeting of the fourth session of the Board was convened on 13 February 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 14 February 2008.

2. The 25th meeting of the fourth session of the Board was convened on 26 February 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 27 February 2008.

3. The 26th meeting of the fourth session of the Board was convened on 25 March 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 26 March 2008.

4. The 27th meeting of the fourth session of the Board was convened on 28 April 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 29 April 2008.

5. The 28th meeting of the fourth session of the Board was convened on 13 May 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 14 May 2008.

6. The 29th meeting of the fourth session of the Board was convened on 16 June 2008 at the Company's conference room at 14 Jingsan Road, Jinan City, Shandong Province. Mr. Chen Feihu, Vice Chairman of the Company, presided over the meeting which was attended by the Company's 11 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was valid and effective. The Chairman of the Company's Supervisory Committee, Feng Lanshui, and supervisors, Li Changxu and Zheng Feixue, attended the meeting. "Proposal for approving Vice Chairman Mr. Chen Feihu to perform the duty of Chariman upon Mr. Cao Peixi's resignation from Chairman and Director taking effect until new Chairman is elected" and "Extraordinary proposal from China Huadian Corporation for nominating Mr. Yun Gongmin as Director candidate to the fifth session of the Board of the Company at the 2007 Annual General Meeting" were considered at the meeting.

7. The 1st meeting of the fifth session of the Board was convened on 30 June 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 1 July 2008.

8. The 2nd meeting of the fifth session of the Board was convened on 18 July 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 21 July 2008.

9. The 3rd meeting of the fifth session of the Board was convened on 27 to 28 August 2008 CITIC Guoan Grand Epoch City*, Xianghe Economic Technical Development Zone, Hebei Province, the PRC. Mr. Yun Gongmin, Chairman of the Company, presided over the meeting which was attended by the Company's 12 Directors in person or by proxy, among whom Vice Chairman Meng Fanli appointed Director Wang Yingli, Director Chen Bin appointed director Chu Yu, and Director Ding Huiping appointed Director Zhao Jinghua to attend the meeting on their behalf. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was valid and effective. The Chairman of the Company's Supervisory Committee, Mr. Li Xiaopeng, and Supervisor, Ms. Zheng Feixue, attended the meeting. As voted and passed as resolutions by the Directors present, 2008 Interim Work Report of the General Manager was heard; Development Report for the first half of 2008 was considered and approved; Explanation on 2008 Interim Financial Report, 2008 Interim Work Report of Audit Committee and Seeking Approval for Unaudited 2008 Interim Financial Report Prepared under China Accounting Standards for Business Enterprises and IFRS were heard; 2008 Interim Report and Results Announcement prepared according to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited., 2008 Interim Report and its summary prepared according to Rules Governing the Listing of Securities on Shanghai Stock Exchange, Management Statement (International Accounts) and the Annual Remuneration Scheme for General Manager were approved.

10. The 4th meeting of the fifth session of the Board was convened on 30 October 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 31 October 2008.

11. The 5th meeting of the fifth session of the Board was convened on 10 November 2008 at the Company's conference room at 14 Jingsan Road, Jinan City, Shandong Province. The Chairman of the Company, Mr. Yun Gongmin, presided over the meeting, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was valid and effective. All 3 Supervisors of the Supervisory Committee attended the meeting. As voted by the Directors present, the Proposal for Capital increase in Huadian Property by the Company or its Holding Subsidiary with a Total Amount of RMB125 million, the Shareholding decreased from 30% to 20% was passed.

12. The 6th meeting of the fifth session of the Board was convened on 29 December 2008, announcement of resolutions in respect of which was published in China Securities Journal and Shanghai Securities News on 30 December 2008.

Details of the relevant transactions mentioned above which were proceeded with or completed in 2008 are set out in the section headed "Significant Events" of this annual report.

SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITY

Particulars of the Company's subsidiaries, associates and jointly controlled entity as at 31 December 2008 are set out in notes 19, 20 and 21 respectively to the financial statements prepared in accordance with IFRS included in this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group and the Company as at 31 December 2008 are set out in note 27 to the financial statements prepared in accordance with IFRS included in this annual report.

INTEREST CAPITALISED

Details relating to the interest capitalised by the Group during the year 2008 are set out in note 7 to the financial statements prepared in accordance with IFRS included in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details relating to movements in property, plant and equipment of the Group and those of the Company during the year 2008 are set out in note 15 to the financial statements prepared in accordance with IFRS included in this annual report.

RESERVES

Details relating to movements in reserves of the Group and the Company for the year ended 31 December 2008 are set out in the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRS included in this annual report.

DONATIONS

During the year of 2008, the Group made donations for charitable purposes in an aggregate amount of approximately RMB11,199,245 (2007: RMB1,731,910).

EMPLOYEES' RETIREMENT PLANS

Details of the employees' retirement plans of the Group are set out in note 33 to the financial statements prepared in accordance with IFRS included in this annual report.

EMPLOYEES' MEDICAL INSURANCE

During 2008, there was no change in employees' medical insurance of the Group as compared with 2007. The Group anticipates that implementation of the above medical insurance will not have any significant impact on the business operation and financial position of the Group. Apart from the above contributions, the Group is not required to pay any other medical expenses for its staff.

PRE-EMPTIVE RIGHTS

Under the Articles of Association of the Company and the laws of the PRC, no rule relating to pre-emptive right exists which requires the Company to offer and issue new shares to its existing shareholders in proportion to their respective shareholding interests in the Company.

SHARE CAPITAL

Details of the share capital of the Company for the year 2008 and as at 31 December 2008 are set out in the Company's statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRS and note 31(a) to the financial statements prepared in accordance with IFRS included in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year of 2008, details regarding the percentages of the Group's sales and purchases attributable to its major customers and major suppliers, respectively, are as follows:

	Approximate Percentage of the Group's	
	Sales	**Purchases**
The largest customer	68.84%	
The five largest customers combined	91.55%	
The largest supplier		32.47%
The five largest suppliers combined		53.01%

None of the Directors of the Company (the "Directors"), their associates and substantial shareholders of the Company (each of which to the knowledge of the Directors owns 5% or above of the Company's share capital) had any interest in the five largest suppliers and customers of the Group at any time during the year.

SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, each of the following persons, not being a Director, supervisor of the Company ("Supervisor"), chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 31 December 2008 which would fall to be disclosed to the Company and the Hong Kong 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 31 December 2008, interested in 5% or more of any class of the then issued share capital of the Company, or was, as at 31 December 2008, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")) of the Company:

Name of shareholder	Shares	Number of shares held	Equity as at 31 December 2008 Approximate percentage shareholding in the Company's of total issued share capital	Approximate percentage shareholding in the Company's of total issued A shares	Approximate percentage shareholding in the Company's of total issued H shares
China Huadian	A shares	2,961,061,853	49.18%	64.51%	—
	H shares	85,862,000 (L) *(Note 1)*	1.42%	—	6.00%
Shandong International Trust Corporation	A shares	800,766,729	13.30%	17.45%	—
JP Morgan Chase & Co. *(Note 2)*	H shares	152,303,841 (L)	2.53%	—	10.64%
		13,727,000 (S)	0.23%	—	0.96%
		95,382,000 (P)	1.58%	—	6.67%
Allianz SE *(Note 2)*	H shares	145,348,000 (L)	2.41%	—	10.16%
Schroder Investment Management (Hong Kong) Limited *(Note 2)*	H shares	85,790,000 (L)	1.42%	—	5.99%
Pictet Asset Management Ltd *(Note 2)*	H shares	75,250,000 (L)	1.25%	—	5.26%
HKSCC Nominees Limited *(Note 3)*	H shares	1,425,033,900	23.67%	—	99.58%

(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 and/or 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 31 December 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 31 December 2008.*

Save as disclosed above and so far as the Directors are aware, as at 31 December 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 Hong Kong 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.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Directors believe that the Company has maintained the relevant applicable minimum percentage of listed securities as prescribed by Rule 8.08 of the Listing Rules.

DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, Supervisors and senior management of the Company during the financial year of 2008. All Directors and Supervisors are currently serving a term of three years, renewable upon re-election and reappointment every three years.

Name	Position in the Company	Changes
Cao Peixi*	Chairman, Non-executive Director	Appointed at the EGM held on 5 February 2007
Yun Gongmin	Chairman, Non-executive Director	Appointed at the AGM held on 30 June 2008
Chen Feihu	Vice Chairman, Non-executive Director	Reappointed at the AGM held on 30 June 2008
Zhu Chongli*	Vice Chairman, Non-executive Director	Reappointed upon election at the AGM held on 2 June 2005
Meng Fanli	Vice Chairman, Non-executive Director	Appointed at the AGM held on 30 June 2008
Chen Jianhua	Executive Director, General Manager	Reappointed upon election at the AGM held on 2 June 2008
Peng Xingyu*	Non-executive Director	Reappointed upon election at the AGM held on 2 June 2005
Wang Yingli	Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Chen Bin	Non-executive Director	Reappointed at the AGM held on 30 June 2008
Zhong Tonglin	Executive Director, Deputy General Manager	Reappointed at the AGM held on 30 June 2008
Chu Yu	Non-executive Director	Appointed at the AGM held on 30 June 2008
Zhao Jinghua	Independent Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Ding Huiping	Independent Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Wang Chuanshun	Independent Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Hu Yuanmu	Independent Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Feng Lanshui*	Chairman of the Supervisory Committee	Reappointed upon election at the AGM held on 2 June 2005
Li Changxu*	Supervisor	Reappointed upon election at the AGM held on 2 June 2005
Li Xiaopeng	Chairman of the Supervisory Committee	Appointed upon election at the AGM held on 30 June 2008
Peng Xingyu	Supervisor	Appointed upon election at the AGM held on 30 June 2008
Zheng Feixue	Supervisor	Reappointed upon election at the AGM held on 30 June 2008
Zhou Lianqing	Secretary to the Board	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Zhu Fangxin	Chief Accountant	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Wang Wenqi	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Bai Hua	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Wang Hui	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Peng Guoquan	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Xie Yun	Chief Engineer	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008

* *Mr. Cao Peixi was no longer Chairman of the Company with effect from 16 June 2008; Mr. Zhu Chongli and Mr. Peng Xingyu were no longer Non-executive Directors of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting); Mr. Feng Lanshui was no longer Chairman of the Supervisory Committee and Mr. Li Changxu was no longer Supervisor of the Company, both with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).*

The Directors' and Supervisors' remunerations for the year ended 31 December 2008 are set out in note 9 of the financial statements prepared in accordance with IFRS included in this annual report.

The biographical details of the existing Directors, Supervisors and members of senior management of the Company, including essentially the particulars required under paragraph 12 of Appendix 16 to the Listing Rules (if and as applicable and appropriate), are set out on pages 20 to 26 in this annual report.

Each of the independent non-executive Directors has issued a confirmation in respect of the factors set out in Rule 3.13 of the Listing Rules concerning his independence pursuant to Rule 3.15 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

As at 31 December 2008, none of the Directors, Supervisors, chief executives or members of senior management of the Company and 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) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO) and was required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

During the year of 2008 and as at 31 December 2008, none of the Directors, Supervisors, chief executives or members of senior management of the Company or any of their respective spouses or children under 18 years of age were granted any right, and the Company (or its subsidiaries, holding company or subsidiaries of its holding company) had not made and was not a party to any arrangement enabling any of them, to subscribe for any share capital or debt securities of the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

No contract of significance or proposed contract of significance, to which the Company or any of its subsidiaries, holding company or jointly controlled entity was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the financial year. None of the Company or its subsidiaries had provided any loan or quasi-loan to any Director or other members of senior management of the Company.

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

The Company has entered service contracts with Directors and Supervisors. No Director or Supervisor has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

MANAGEMENT CONTRACT

In 2008, there was no management or administration contract in respect of all or substantial part of the Company's business.

SIGNIFICANT EVENTS

Significant events of the Company during the period from 1 January 2008 to the date of this report are as follows:

(1) Issue of 2008 First and Second Tranches of Short-Term Debentures

Pursuant to the Management Measures on Short-term Debentures and relevant regulations of the PRC, the Company publicly issued the 2008 first and second tranches of short-term debentures in the PRC inter-bank 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 extraordinary general meeting 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 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 extraordinary general meeting of the Company dated 13 May 2008.

(3) Election of New Session 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 annual general meeting of the Company 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 notice of 2007 annual general meeting 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 decided 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 the shareholders of the Company at the 2007 annual general meeting 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 annual general meeting of the Company dated 30 June 2008.

(6) Extraordinary General Meetings

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.

The Company issued a notice of EGM on 13 November 2008, for the purpose of considering (i) the issuance of medium-term notes or corporate bonds or the combination of them (the "Debentures Financing Products") by the Company; and (ii) the provision of project loan guarantee in the amount of RMB200 million by the Company to Suzhou Company proportional to its 97% shareholding in Suzhou Company. The extraordinary general meetings was held on 29 December 2008, at which both resolutions were approved. Details were set out in the notice of EGM and the circular dated 13 November 2008 as well as the announcement of the Company dated 29 December 2008.

(7) Acquisition of 100% Equity Interests in Huarui Company

On 29 December 2008, the Company entered into an acquisition agreement with holders of 100% equity interest of Huarui Company, pursuant to which the Company agrees to acquire 100% equity interests in the entire registered capital of Huarui Company at a consideration of RMB729 million. Upon completion of the acquisition, Huarui Company will become a wholly owned subsidiary of the Company. The Company will have an increase of approximately 764.7MW interested and operated installed capacity and Huarui Company's financial results will be consolidated into the accounts of the Group. As at the date of this report, Huarui Company has interested and operated installed capacity of 957.3 MW and interested capacity of 78.6 MW of generating unit under construction in total.

Details were set out in the announcement of the Company dated 29 December 2008 and the circular of the Company dated 15 January 2009.

(8) Issue of 2009 First and Second Tranches of Medium-term Notes

The Company issued the "2009 First Tranche of Medium-term Notes of Huadian Power International Corporation Limited" on 17 March 2009. The medium-term notes were issued with issuance size of RMB1.5 billion, par value of RMB100 each, annual interest rate of 3.38% and a term of 3 years. The medium-term notes were publicly issued in the PRC inter-bank debenture market by way of book building and centralised placing. Please refer to announcement of the Company dated 19 March 2009 for details.

The Company issued the "2009 Second Tranche of Medium-term Notes of Huadian Power International Corporation Limited" on 25 March 2009.The medium-term notes were issued with issuance size of RMB1.5 billion, par value of RMB100 each, annual interest rate of 3.96% and a term of 5 years. The medium-term notes were publicly issued in the PRC inter-bank debenture market by way of book building and centralised placing. Please refer to announcement of the Company dated 27 March 2009 for details.

CONNECTED TRANSACTIONS

Connected transactions, as defined in the Listing Rules, entered into by the Group during the period from 1 January 2008 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 a capital increase agreement between Huadian Power International Corporation Limited and Huadian Finance, under which the Company contributed RMB149.19 million for the capital increase. Upon completion of such capital increase, the Company is interested in approximately 20.46% of the enlarged registered capital of Huadian Finance, which increased from RMB800 million to RMB1,390 million.

China Huadian is the controlling shareholder of the Company, holding approximately 49.18% equity interest in the Company at the relevant time. Prior to the capital increase, China Huadian held 46.88% equity interest in Huadian Finance. As such, Huadian Finance is a connected person of the Company for the purpose of the Listing Rules. The entering into of the capital increase agreement constitutes a connected transaction of the Company. As the relevant percentage ratios represented by the aggregated capital contribution by the Company under the capital increase agreement are more than 0.1% but less than 2.5%, the transaction under the capital increase agreement falls within the provision under Rule 14A.32(1) of the Listing Rules, and is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transaction were set out in the announcement of the Company dated 7 January 2008.

(2) Capital increase in China Huadian Group New Energy Development Company Limited ("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 the agreement, 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.

China Huadian is a controlling shareholder holding approximately 49.18% equity interests in the Company at the relevant time and therefore is a connected person of the Company. In addition, Huadian Energy, Guizhou Hydropower and Huadian Engineering are subsidiaries of China Huadian and therefore connected persons of the Company. The entering into of the capital increase agreement constitutes a connected transaction of the Company. As the relevant percentage ratios represented by the aggregated capital contribution by the Company is more than 0.1% but less than 2.5%, the transaction under the capital increase agreement falls within the provision under Rule 14A.32(1) of the Listing Rules, and is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transaction were set out in the announcement of the Company dated 7 January 2008.

(3) Acquisition of Equity Interests in Four Power Enterprises under China Huadian

On 13 February 2008, the Company and China Huadian entered into the Equity Transfer Agreement, pursuant to which China Huadian agreed to sell, and the Company agreed to purchase China Huadian's equity interests in Four Power Enterprises, including 64% equity interests in Hangzhou Banshan Company situated in Zhejiang, 82% equity interests in Shijiazhuang Thermal Power Company and 100% equity interests in Hebei Hydropower Company both situated in Hebei, and 49% equity interests in Za-gunao Hydroelectric Company situated in Sichuan. The total installed capacity amounted to 2,220 MW, and the interested installed capacity amounted to 1,497.1MW. The acquisition consideration was approximately RMB2.048 billion. The abovementioned acquisition was approved by the independent shareholders of the Company at the extraordinary general meeting held on 13 May 2008 and was approved by the State-owned Assets Supervision and Administration Commission of the State Council.

Since China Huadian is the controlling shareholder of the Company, holding approximately 49.18% equity interests in the Company, China Huadian is therefore a connected person of the Company for the purpose of the Listing Rules at the relevant time. The acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As the relevant percentage ratios in relation to the acquisition exceed 2.5%, the acquisition is subject to reporting, announcement and independent shareholders' approval requirements. As the relevant percentage ratios exceed 5% but are less than 25%, the acquisition also constitutes a discloseable transaction pursuant to Rule 14.06(2) of the Listing Rules.

Details of the acquisition were set out in the Company's announcement dated 13 February 2008, circular dated 25 March 2008, supplemental circular dated 25 April 2008 and the announcement of voting results of extraordinary general meeting dated 13 May 2008.

The equity transfer date under the equity transfer agreement was 1 July 2008. As at the date of this report, the equity transfers work of the Four Power Enterprises was completed, with the consideration paid at RMB1.044 billion.

(4) 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 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 such contract, the Company and China Huadian Hong Kong are interested in 75% and 25%, respectively, of the registered capital of the Kailu Wind Power Company. The registered capital and total investment of Kailu Wind Power Company are respectively RMB169,980,000 and RMB485,640,000, to which the Company shall contribute RMB127,485,000. Kailu Wind Power Company will initially be engaged in the construction and operation of the 49.5 MW Phase I Inner Mongolia Tongliao Yihetala Wind Power Project.

China Huadian Hong Kong is a wholly-owned subsidiary of China Huadian, which is the controlling shareholder of the Company. Therefore, China Huadian Hong Kong is a connected person of the Company for the purpose of the Listing Rules and the entering into the contract constitutes a connected transaction of the Company. As the relevant percentage ratios represented by the Company's contribution to Kailu Wind Power Company's registered capital under the contract are less than 2.5%, the transaction falls within the provision under Rule 14A.32(1) of the Listing Rules, and is subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Listing Rules but is exempt from the independent shareholders' approval requirements of Chapter 14A of the Listing Rules.

Details of the transaction were set out in the Company's announcement dated 11 August 2008.

(5) Capital Increase in Huadian Property Co., Ltd. ("Huadian Property")

On 29 December 2008, the Company entered into the Capital Increase Agreement with China Huadian and certain subsidiaries of China Huadian. Pursuant to such capital increase agreement, the parties thereto agreed to contribute to the registered capital of Huadian Property. Upon completion of such capital increase agreement, the registered capital of Huadian Property will increase from RMB550 million to RMB1,450 million, and the Company's shareholding in Huadian Property will decrease from 30% to 20%.

China Huadian is the controlling shareholder of the Company, holding approximately 50.60% equity interest in the Company and therefore is a connected person of the Company. In addition, the other parties to the capital increase agreement (other than the Company and China Huadian) are all subsidiaries of China Huadian and therefore are also connected persons of the Company. Accordingly, the capital increase agreement and the transactions contemplated thereunder constitute connected transactions of the Company for the purpose of the Listing Rules. As the applicable percentage ratios represented by the capital contribution by the Company under the capital increase agreement are more than 0.1% but less than 2.5%, the transactions contemplated under the capital increase agreement constitute non-exempt connected transactions under Rule 14A.32(1) of the Listing Rules, and are subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transaction were set out in the Company's announcement dated 29 December 2008.

(6) Capital Increase in Huadian New Energy

On 15 January 2009, the Company entered into the Capital Increase Agreement with China Huadian, Huadian Energy, Guizhou Hydropower and Huadian Engineering. Pursuant to such capital increase agreement, the parties thereto agreed to contribute to the registered capital of Huadian New Energy. Upon completion of the such capital increase agreement, the registered capital of Huadian New Energy will increase from RMB498 million to RMB698 million, and the Company will remain interested in 20% of the enlarged registered capital of Huadian New Energy.

China Huadian is a controlling shareholder of the Company, holding approximately 50.60% equity interest in the Company and therefore is a connected person of the Company. In addition, Huadian Energy, Guizhou Hydropower and Huadian Engineering are all subsidiaries of China Huadian and therefore are also connected persons of the Company. Accordingly, the capital increase agreement and the transactions contemplated thereunder constitute connected transactions of the Company for the purpose of the Listing Rules. As the applicable percentage ratios represented by the capital contribution by the Company under the capital increase agreement are more than 0.1% but less than 2.5%, the transactions contemplated under the capital increase agreement constitute non-exempt connected transactions under Rule 14A.32(1) of the Listing Rules, and are subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Listing Rules but are exempted from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Details of the transaction were set out in the Company's announcement dated 15 January 2009.

(7) Contracts with Huadian Engineering

On 11 September 2008, the Company and Huadian Engineering entered into two construction contracts pursuant to which the Company has engaged Huadian Engineering to design, construct and install the coal conveyor system and sewage disposal system required for the two 300 MW heat-power co-generating units being constructed for Henan Luohe Phase I Project at an aggregated total contract price of RMB232,051,300.

On 20 February 2009, Lingwu Company engaged Huadian Engineering to provide certain services and works in respect of the construction of the desulphurization system and the condensation water fine disposal system by entering into five project contracts. The consideration under each project contract was agreed between the relevant parties through a tender process which was conducted in compliance with the relevant laws in the PRC and the management rules of the Company. The total consideration under the project contracts is RMB81,050,500, which shall be funded by internal resources of Lingwu Company.

China Huadian is a controlling shareholder of the Company, holding approximately 50.60% equity interests in the Company. Huadian Engineering is a non-wholly owned subsidiary of China Huadian and therefore is a connected person of the Company. Accordingly, the construction contracts and the project contracts and the transactions contemplated respectively thereunder constitute connected transactions of the Company. As the applicable percentage ratios for the construction contracts and the Project Contracts exceed 0.1% but are below 2.5%, the construction contracts and the project contracts and the transactions contemplated respectively thereunder fall within the provision under Rule 14A.32 of the Listing Rules, and are only subject to the reporting and announcement requirements set out in Rules 14A.45 and 14A.47 of the Hong Kong Listing Rules but are exempted from the independent shareholders' approval requirements of Chapter 14A of the Hong Kong Listing Rules.

Details of the transactions were set out in the Company's announcements dated 11 September 2008 and 20 February 2009.

(8) Equipment Project Contract Entered into between Shijiazhuang Yuhua Thermal Power Company and Huadian Engineering

In 2008, the Company acquired 64% equity interests in Hangzhou Banshan Company, 82% equity interests in Shijiazhuang Thermal Power Company, 100% equity interests in Hebei Hydropower Company and 49% equity interests in Za-gunao Hydroelectric Company from China Huadian. Please refer to Connected Transaction (3) in this annual report for details.

On 24 October 2007, Shijiazhuang Yuhua Thermal Power Company which was 60% owned by Shijiazhuang Thermal Power Company entered into the Tubular Goods Procurement Agreement for 4 Major Pipes of 2 x 300MW Project with Huadian Engineering, pursuant to which Shijiazhuang Yuhua Thermal Power Company shall pay expenses of approximately RMB29,010,782 to Huadian Engineering based on the project progress. As at 31 December 2008, Shijiazhuang Yuhua Thermal Power Company had paid total construction expenses of RMB29,010,782 to Huadian Engineering.

On 28 January 2008, Shijiazhuang Yuhua Thermal Power Company and Huadian Engineering entered into a construction contract in respect of the advanced treatment island for reclaimed water in 2 x 300MW project, pursuant to which Shijiazhuang Yuhua Thermal Power Company shall pay total expenses of approximately RMB79,000,000 to Huadian Engineering based on the fulfilment progress of the agreement. As at 31 December 2008, Shijiazhuang Yuhua Thermal Power Company had paid total expenses of RMB55,360,680 to Huadian Engineering.

On 2 April 2008, Shijiazhuang Yuhua Thermal Power Company and Huadian Engineering entered into a procurement agreement on the Tubular Goods and Brackets and Hangers for 4 Major Pipes, pursuant to which Shijiazhuang Yuhua Thermal Power Company shall pay total expenses of approximately RMB8,396,166 to Huadian Engineering based on the fulfilment progress of the agreement. As at 31 December 2008, Shijiazhuang Yuhua Thermal Power Company had paid total expenses of RMB7,556,548 to Huadian Engineering.

On 2 April 2008, Shijiazhuang Yuhua Thermal Power Company and Huadian Engineering entered into a factory assembly and procurement agreement for 4 Major Pipes, pursuant to which Shijiazhuang Yuhua Thermal Power Company shall pay total expenses of approximately RMB2,180,883 to Huadian Engineering based on the fulfilment progress of the agreement. As at 31 December 2008, Shijiazhuang Yuhua Thermal Power Company had paid total expenses of RMB1,962,795 to Huadian Engineering.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to the Listing Rules, the continuing connected transactions incurred by the Group for the year ended 31 December 2008 are as follows:

(1) Continuing Connected Transactions with Huadian Coal Industry Group Company Limited ("Huadian Coal")

On 14 April 2008, the Company and Huadian Coal entered into a service agreement (the "**Services Agreement**"), pursuant to which the Company has engaged Huadian Coal to provide management and co-ordination services in relation to coal procurement in the PRC for a total annual service fee not exceeding RMB56.00 million for the year ending 31 December 2008. The Company has entered into a similar service agreement with Huadian Coal for the year 2007.

China Huadian, the controlling shareholder of the Company, directly holds approximately 51.28% equity interest in Huadian Coal. Pursuant to the Listing Rules, Huadian Coal is a connected person of the Company and the entering into the agreement constitutes a continuing connected transaction of the Company. As the applicable percentage ratios represented by the total service fees payable by the Company under the Services Agreement are more than 0.1% but less than 2.5%, the Services Agreement falls within Rules 14A.34 of the Listing Rules and is only subject to the reporting and announcement requirements set out in Rules 14A. 45 to 14A.47 of the Listing Rules but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In 2008, the Company purchased from China Huadian the Four Power Enterprises, among which Hangzhou Banshan Company and Shijiazhuang Thermal Power Company had both entered into agreements prior to the date of the Equity Transfer Agreement to engage Huadian Coal to provide management and co-ordination services in relation to coal procurement in the PRC. As such, as at 31 December 2008, the aggregated annual service fee paid by the Group to Huadian Coal was approximately RMB59.78 million, exceeded the approved 2008 annual cap of RMB56.00 million under the Services Agreement by approximately RMB3.78 million.

The Company will review its management on the Group's connected transactions to ensure and enhance its future compliance with requirements on announcement and independent shareholders' approvals (as applicable) relating to the revision of annual caps in accordance with applicable requirements under Chapter 14A of the Listing Rules.

(2) 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 proposed purchase 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.

Zouxian Company is 69% owned by the Company and therefore is a non-wholly owned subsidiary of the Company. As Yanzhou Coal holds 30% equity interest in Zouxian Company, Yanzhou Coal is a connected person of the Company for the purpose of the Listing Rules and the purchase of coal by the Company from Yanzhou Coal constitutes a continuing connected transaction of the Company. As the applicable percentage ratios for the transaction represented by the annual total amount payable by the Company under the Coal Purchase Framework Agreement are more than 2.5%, the continuing connected transaction constitutes a non-exempt continuing connected transaction which is subject to the reporting, announcement and independent shareholders' approval requirements as set out in Rule 14A.35 of the Listing Rules.

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

(3) 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 held on 30 June 2008.

China Huadian is the controlling shareholder of the Company. Huadian Finance is a subsidiary of China Huadian and therefore a connected person of the Company. Accordingly, transactions under the financial services agreement constitute continuing connected transactions of the Company under the Listing Rules. The Company proposed to place to Huadian Finance with almost all of the Group's cash balance. The non-exempt continuing connected transactions relating to the provision of deposit services by Huadian Finance to the Group also constitute discloseable transactions under Chapter 14 of the Listing Rules and therefore are subject to the notification, announcement and circular requirements under Rules 14.34 to 14.39 of the Listing Rules.

For relevant 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.

(4) Coal Purchase Framework Agreement with Huainan Mining Industry Group Company Limited ("Huainan Mining")

In order to regulate the purchase of coal by the Company from Huainan Mining for power generation for the power plants of the Company in Anhui Province in the PRC, the Company entered into a coal purchase framework agreement with Huainan Mining on 10 November 2008.

The proposed purchase annual caps will not exceed RMB0.67 billion, RMB4 billion and RMB4 billion respectively for the period from the effective date of the agreement to 31 December 2008 and for the two financial years ending 31 December 2010.

Wuhu Company is owned as to 65% by the Company and as to 30% by Huainan Mining. Accordingly, Huainan Mining became is a connected person of the Company for the purpose of the Listing Rules and the transactions between the Company and Huainan Mining will constitute connected transactions of the Company. As the applicable percentage ratios for the transaction represented by the annual total amount payable by the Company under the Coal Purchase Framework Agreement are more than 2.5%, the continuing connected transaction constitutes a non-exempt continuing connected transaction which is subject to the reporting, announcement and independent shareholders' approval requirements as set out in Rule 14A.35 of the Listing Rules. For relevant details, please refer to the announcement of the Company dated 10 November 2008 and the circular of the Company dated 13 November 2008.

The auditors to the Company have reviewed the continuing connected transactions No. (1) to No. (4) above (the "**Transactions**") and issued a letter to the Board confirming that:

(1) the Transactions have been approved by the Board;

(2) they were not aware of any indications which would make them believe that such Transactions were not conducted in line with the terms of governing agreements; and

(3) save and except transaction No. (1) as disclosed above, they were not aware of any matters which would make them believe that the annual aggregate amount of each of the Transactions exceeded the annual cap as disclosed in the announcements of the Company.

The Company's independent non-executive Directors have reviewed such Transactions and confirmed that:

(1) the Transactions were entered into by the Company in the ordinary and usual course of the Company's business;

(2) the terms of the agreement governing the Transactions are no less favorable than those generally available from the independent third party providers with similar procurement scale under similar services;

(3) the Transactions were conducted under normal commercial terms which are fair and reasonable and in the best interests of the Company and its shareholders as a whole; and

(4) save and except transaction No. (1) as disclosed above, they were not aware of any matters which would make them believe that the annual aggregate amount of each of the Transactions exceeded the annual cap as disclosed in the announcements of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2008, neither the Company nor any of its subsidiaries 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).

FINANCIAL SUMMARIES

Summaries of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2008 prepared in accordance with IFRS are set out on page 145.

The Company is not aware of any matter taking place in the year ended 31 December 2008 that would be required to be disclosed under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL LITIGATION

During the financial year of 2008, the Group was not involved in any material litigation or arbitration. Further, 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. As at 31 December 2008, the Group was a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that, any possible legal liability which may be incurred from the aforesaid cases will not have material adverse effect on the financial position and operating results of the Group.

DESIGNATED DEPOSITS AND OVERDUE MATERIAL DEPOSITS

As at 31 December 2008, none of the Group's deposits placed with financial institutions were designated or trust deposits or material deposits that could not be collected by the Group upon maturity.

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the annual results of the Company for 2008 and the financial statements prepared under IFRS for the year ended 31 December 2008.

AUDITORS

The Company has not changed its auditors in any of the preceding three years. A resolution for reappointment of KPMG Huazhen and KPMG as the domestic and inter international of the Company respectively for financial year 2009 will be proposed at the forthcoming 2008 Annual General Meeting.

By Order of the Board
Yun Gongmin
Chairman

Beijing, the PRC
8 April 2009

Corporate Governance Report

The codes on corporate governance practices adopted by the Company include, without limitation to the following documents:

1. Articles of Association;

2. Code on Shareholders' Meetings, Code on Board Practices and Code on Supervisory Committee (Currently as part of the Articles of Association of the Company);

3. Working procedures for Audit Committee, Remuneration and Appraisal Committee and Strategic Committee of the Board of the Company;

4. Working Requirements for Independent Directors;

5. Working Requirements for Secretary to the Board;

6. Working Rules for General Manager;

7. Code on the Company's Investment Projects;

8. Management Methods on Raised Proceeds;

9. Management Methods on External Guarantees;

10. Management Rules on Information Disclosure;

11. Management Rules on Investor Relations and Implementation Procedures;

12. Code on Trading of the Company's Securities by Directors (Supervisors); and

13. Code on Trading in the Company's Securities by Employees.

The Board is committed to principles of corporate governance consistent with prudent management and with the aim to enhance shareholders' value. These principles enshrine transparency, accountability and independence.

Upon review of the relevant documents about corporate governance, the Board is of the view that the corporate governance practices adopted by the Company meet the requirements under the principles, code provisions and most of the recommended best practice as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 to the Listing Rules. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Code.

The followings describe the major aspects and practices which are more stringent than the code provisions set out in the Code:

— The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited by Employees, which are more stringent than the Model Code for Securities Transactions by Directors of Listed Issuers, as set out in Appendix 10 to the Listing Rules.

— In addition to the Audit Committee and the Remuneration and Appraisal Committee, the Company has established the Strategic Committee to stipulate the Working Procedures for the Strategic Committee.

— In the financial year of 2008, a total of 12 Board meetings were held by the Company.

— The Audit Committee comprises five members, including two non-executive Directors and three independent non-executive Directors.

THE BOARD OF DIRECTORS

As an efficient leader of the Company, the Board is responsible for leadership and supervision of the Company.

Directors as a whole are responsible for advancing activities of the Company through commanding and monitoring. We are of the opinion that all Directors can act on an objective basis and make decisions in the interest of the Company.

As of the date of this report, members of the Board of the Company are set out below:

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
Hu Yuanmu	Independent Non-executive Director

The biographical details of Directors and connections between them are detailed in the section headed "Directors, Supervisors and Senior Management" in this Annual Report. All Directors are currently serving a term of three years, renewable upon re-election and reappointment. The term of office for Independent Non-executive Directors is renewable with a limit of six years. A Director who is appointed to fill temporary vacancies shall be elected by shareholders at the first general meeting following his appointment, and his term of office shall be terminated upon re-election of Directors. A Director who is appointed for the first time shall report to the Board his position as Director or other roles in other companies or entities upon his appointment, and such reporting of relevant interests is revised annually. In case that the Board recognises conflict of interest for a Director or any of his associates for consideration of any proposal, the Director shall report such interest and abstain from voting.

The Independent Non-executive Directors of the Company have submitted written confirmation of their independency as required by Rules 3.13 of the Listing Rules. The Independent non-executive Directors of the Company have extensive expertise and experience. Among the ten non-executive Directors, four of them (amounting to one-third of Directors) are independent non-executive Directors, where Mr. Wang Chuanshun is an accounting professional. While playing an important role of check and balance, they safeguard the interest of shareholders and the Company as a whole. The Directors are of the opinion that all independent non-executive Directors are able to deliver effective independent judgment under the independence guidelines set out in Rules 3.13 of the Listing Rules, and are independent in accordance with the guidelines.

To ensure the compliance with the Board procedures and all applicable rules, each Director is eligible to access to advice and service of the Secretary to the Board.

CHAIRMAN AND GENERAL MANAGER

To improve independence, accountability and responsibility, the positions of Chairman and General Manager of the Company are assumed by different individuals with distinct roles. Mr. Yun Gongmin and Mr. Chen Jianhua have been currently appointed as Chairman and General Manager respectively. As legal representative of the Company, the Chairman presides over the Board, aiming to ensure that the Board is acting in the best interest of the Company, operates effectively, duly performs its responsibilities and engages in discussion of important and appropriate matters, as well as Director's access to accurate, timely and clear information. In addition, the Chairman appoints the Secretary to the Board to arrange agenda of every Board meeting and consider any matter proposed by other Directors to be included in the agenda, thus ensuring that all Directors are properly briefed over matters discussed at the Board meeting and their access to adequate reliable information. In particular, the Chairman of the Board is entitled to exercise power over, including but not limited to, the following:

(1) To preside over general meetings and to convene and preside over the Board meetings;

(2) To check on the implementation of resolutions of the Board meetings;

(3) To sign securities certificates issued by the Company;

(4) To sign important documents of the Board and other documents that shall be signed by legal representative of the Company;

(5) To exercise the powers of the legal representative; and

(6) To exercise special disposal powers that are conferred under and in compliance with laws, administrative regulations and in the interests of the Company on matters of the Company in case of force majeure emergencies such as extraordinary serious natural calamities, and provide post-event reports to the Board and the general meeting.

The General Manager heads the management and is responsible for daily operation of the Company. With the aid of other executive Directors and management team of every functional department, the General Manager looks after the business management of the Company, including implementation of policies adopted by the Board and reporting to the Board in respective of the overall operation of the Company. Details of the powers of General Manager are set out on page 53 of this annual report.

THE BOARD MEETINGS

The Board shall convene at least four meetings annually, approximately one for each quarter. The Chairman of the Board should convene the Board Meeting, ensure the Board's effective discharge of its duties, schedule agenda of the meeting and consider matters proposed by other Directors to be included in the agenda. Notice of meetings shall be delivered in fourteen days prior to date of regular meeting.

The Chairman of the Board shall convene an extraordinary meeting of the Board within ten business days in case of any of the following circumstances:

(1) When proposed by shareholders representing more than 10% voting right;

(2) When deemed as necessary by the Chairman of the Board;

(3) When proposed jointly by more than one-third of the Directors;

(4) When proposed jointly by more than one-half of the independent non-executive Directors;

(5) When proposed by the Supervisory Committee; or

(6) When proposed by the General Manager.

Notices of Board meetings and extraordinary Board meetings should be served on all Directors, either by facsimile, express mail, registered mail or by hand.

If the time and venue for a regular meeting have been previously determined by the Board, no notice is necessary. Otherwise, the Chairman of the Board or relevant proposer shall inform the Secretary to the Board of the Company of the proposal and agenda of the Board meeting in writing, and the Secretary to the Board shall then dispatch a notice containing time, venue and agenda of the Board meeting to the Directors in ten days prior to date of the meeting. However, any Director may waive his right for being served with the notice of the Board meeting prior or subsequent to the dispatch of the notice. The Secretary to the Board should also send a copy of the above-mentioned notice of the Board meeting to the Chairman of Supervisory Committee.

Each Director has a ballot for voting. The Board's resolutions shall be passed by over one half or two-thirds majority of the Directors in accordance with stipulations of relevant laws, regulations and Articles of Association of the Company.

A Director shall attend Board meetings in person. Ordinary or extraordinary Board meetings can be held by way of teleconference meeting or by virtue of similar telecommunication device. So long as the participating Director can hear and communicate effectively with each other, all participating Directors are deemed to as if they had participated in the meeting in person.

A Director shall appoint, in writing, another Director to attend the meeting on his behalf due to his absence. The scope of authorisation shall be specified in the power of attorney. The Director attending the meeting on behalf of the entrusting Director shall only exercise the rights within the power of attorney. Should a Director neither attend a Board meeting nor appoint another Director to attend on his behalf, such Director shall be deemed to have waived his voting rights at the meeting.

The Secretary to the Board shall prepare detailed minutes for the matters put to the Board meeting for consideration and resolutions passed, including any uncertain or dissenting opinion raised by the Directors. Within a reasonable period of time following the conclusion of the Board meeting, the Secretary to the Board shall dispatch to all Directors the draft and final minutes of meetings for comments and for records respectively.

The proposals to be passed by written resolution shall be dispatched to each Director, either by hand, mail, telex or facsimile, instead of convening the Board meeting. Unless otherwise stipulated by applicable laws, regulations and/or relevant Listing Rules, a resolution shall come into effect without otherwise convening a Board meeting when the number of Directors signing and consented to the written resolution meets the quorum for the resolution as required by the laws and regulations and the Articles of Association in connection therewith, and the signed resolution is returned to the Secretary to the Board by the aforesaid means.

Any written resolution without execution by Directors in accordance with legal procedures, even agreed by each Director by otherwise means, shall not come into legal force as a resolution of the Board.

Minutes of meetings of the Board and its committees shall be kept by the Secretary to the Board, and upon any Director's request to review, the Secretary to the Board shall produce to him the requested minutes within a reasonable period of time.

To ensure sound corporate governance, the Board has established the following committees: Audit Committee, Remuneration and Appraisal Committee and Strategic Committee, and specified their respective terms of references in accordance with principles stipulated by laws, regulations and the Code. Relevant administrative departments set up by those special committees in the Company are responsible for the preparation of meeting documents while the special committees report to the Board.

The Board reports to the general meeting, and is also responsible for the completeness of financial data as well as the effectiveness of internal control system and risk management procedures of the Company. Besides, the Board shall bear the responsibility for preparation of corporate financial statements, while the General Manager accepts duties of attaining business goals and attending to daily operations of the Company. Through regular reviews of functions of the General Manager and his authorised powers, the Board ensures the rationality of such arrangement. In addition, the Board also regularly reviews performances in relation to budget and business goals of respective operating departments, and exercises various powers, including:

(1) To convene the general meetings and report its work to the general meetings;

(2) To implement the resolutions passed at the general meetings;

(3) To decide the Company's business plans and investment schemes;

(4) To formulate the Company's annual budget scheme and budget implementation proposal;

(5) To formulate the Company's profit distribution plan and loss recovery plan;

(6) To formulate proposals for increases or reductions of the Company's registered capital and the issue of corporate debentures;

(7) To draw up plans for repurchase of the Company's shares or the proposal for merger, division or dissolution of the Company;

(8) To determine the external investment, assets acquisition, disposal, assets mortgage, trusted finance, connected transactions and other guarantee matters not subject to approval of the general meeting as stipulated by law, administration regulation and Article of Association.

(9) To determine the establishment of the Company's internal management structure;

(10) To appoint or dismiss the Company's general manager and the Secretary to the Board, and pursuant to the general manager's nominations to appoint or dismiss senior management including the deputy general managers and financial officers of the Company and determine their remuneration, bonus and penalties;

(11) To formulate the Company's basic management system;

(12) To formulate the proposed amendments to Articles of Association;

(13) To manage the information disclosure of the Company;

(14) To propose at general meetings for the appointment or change of accountants conducting auditing for the Company;

(15) To hear the work report and inspect the work of the general manager; and

(16) To exercise any other powers specified in relevant laws and regulations or the Articles of Association and conferred by the shareholders at general meetings.

Except for the Board's resolutions in respect of the matters specified in the abovementioned item (6), (7), (12) and external guarantees which shall be passed by two-thirds majority of the Directors, the Board's resolutions in respect of any other aforesaid matters may be passed by more than half of the Directors.

The General Manager of the Company reports to the Board, and exercises the following powers:

(1) To preside over the production, operation and management of the Company, and to implement resolutions of the Board;

(2) To formulate development plans, annual production and operation goals, annual financial budget scheme and budget implementation proposal, the Company's profit (after tax) distribution plan and loss recovery plan;

(3) To implement the Company's annual business plans and investment schemes;

(4) To formulate the establishment of the Company's internal management structure;

(5) To formulate the Company's basic management system;

(6) To formulate the Company's basic regulations;

(7) To propose to appoint or dismiss the Company's deputy general manager and financial officers;

(8) To appoint or dismiss the Company's senior management other than those to be appointed or dismissed by the Board;

(9) To determine remuneration, bonus and penalties of employees of the Company and to determine appointment or dismissal of them;

(10) To propose convening of extraordinary meeting of the Board;

(11) To handle significant business on behalf of the Company; and

(12) To exercise other powers within the authorisation of Articles of Association and the Board.

The Company convened 12 Board meetings during the financial year from 1 January 2008 to 31 December 2008.

Director		**Number of attendance** *(Note)*	**Number of meetings**
Cao Peixi[1]	Chairman	5	12
Yun Gongmin[2]	Chairman	6	12
Chen Feihu	Vice Chairman	12	12
Zhu Chongli[3]	Vice Chairman	6	12
Meng Fanli[4]	Vice Chairman	6	12
Chen Jianhua	Executive Director	12	12
Peng Xingyu[5]	Non-executive Director	6	12
Wang Yingli	Non-executive Director	12	12
Chen Bin	Non-executive Director	12	12
Zhong Tonglin	Executive Director	12	12
Chu Yu[6]	Non-executive Director	6	12
Zhao Jinghua	Independent Non-executive Director	12	12
Ding Huiping	Independent Non-executive Director	12	12
Wang Chuanshun	Independent Non-executive Director	12	12
Hu Yuanmu	Independent Non-executive Director	12	12

1. *Mr. Cao Peixi was no longer the Chairman of the Company with effect from 16 June 2008.*

2. *Mr. Yun Gongmin started to serve as the Chairman of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).*

3. *Mr. Zhu Congli was no longer the Vice Chairman of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).*

4. *Mr. Meng Fanli started to serve as the Vice Chairman of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).*

5. *Mr. Peng Xingyu was no longer a Non-executive Director of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).*

6. *Mr. Chu Yu started to serve as a Non-executive Director of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).*

Note: Including attendance by proxies.

DIRECTOR'S RESPONSIBILITIES IN RESPECTIVE OF FINANCIAL STATEMENTS

The Directors confirm that they are responsible for preparation of financial statements of the Group.

As at 8 June 2008, the Company has provided Mr. Zhu Fangxin, in the discharge of his duties as the Company's qualified accountant, with access to the assistance of a consultant, Mr. Chow Hiu Tung, Harry (an associate member of Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants). With the assistance of the accounts department, the Directors ensure that the financial statements of the Company are prepared in compliance with relevant laws, regulations and applicable accounting policies. The Directors also confirm that the financial statements will be published timely.

The responsibility statement made by the Company's auditors in respect of the financial statements is set out in the section headed "Report of the International Auditors" on page 67 of the Annual Report.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by its directors. In addition, it formulated the Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited which requires the Directors and Supervisors to sign, as early as the commencement of their term of office, a statement on share transaction undertaking that any share transaction by directors or supervisors and their associates will be reported to the Board or the Supervisory Committee. No security transaction should be conducted by the Directors or Supervisors prior to a written consent with a specific date certifying compliance of the proposed transaction with the Listing Rules of The Stock Exchange of Hong Kong Limited and Shanghai Stock Exchange and the requirements regarding transaction of securities of listed companies by directors and supervisors as stipulated in the abovementioned codes.

After specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Company have complied with the relevant codes on securities transactions by directors and supervisors set out in the Model Code and the Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited during the year ended 31 December 2008.

AUDIT COMMITTEE

In accordance with the Listing Rules, the Board set up the Audit Committee in August 1999. Subsequently, in accordance with the PRC listing rules, the Board set up another audit committee in March 2004. The two committees comprise the same five members, including three independent non-executive directors and two non-executive directors of the Company. Currently, one of the five members is an accounting professional. In addition to carrying out duties in accordance with the Listing Rules and requirements stipulated in the "A Guide for Effective Operation of an Audit Committee" issued by Hong Kong Institute of Certified Public Accountants and the Principle on Governance of Listed Companies issued by the CSRC, the Audit Committee comprising such five members also formulated the Working Rules for the Audit Committee of the Board of Directors of Huadian Power International Corporation Limited by setting out their power and functions in details.

The Company elected the new session of Audit Committee at the 1st meeting of the fifth Board held on 30 June 2008. The current Audit Committee is chaired by Independent Non-executive Director, Mr. Hu Yuanmu, and comprises four members including two independent non-executive directors, Ding Huiping and Wang Chuanshun, and two non-executive directors, Wang Yingli and Chu Yu. They are responsible for the communication between the Company's internal and external auditors, supervision and examination while giving advice to the Board on audit, internal control and corporate governance.

Powers of the Audit Committee are set out at the Company's website (http://www.hdpi.com.cn/st/TZ/DSWYH/SHENGJI.HTM).

The Audit Committee held 2 meetings on 23 March 2008 and 26 August 2008 respectively, the average attendance of which was 100%. The attendance of each director was as follows:

Director	Times of attendance/ times of meeting	Attendance Rate
Hu Yuanmu	2/2	100%
Ding Huiping	2/2	100%
Wang Chuanshun	2/2	100%
Peng Xingyu*	1/2	100%
Wang Yingli	2/2	100%
Chu Yu*	1/2	100%

* *Mr. Peng Xingyu was no longer a member of the Audit Committee with effect from 30 June 2008 and Mr. Chu Yu was elected as a member of the new session of Audit Committee with effect from 30 June 2008.*

The Audit Committee reviewed the relevant information in annual and interim financial statements of the Company and reviewed the Directors' Report, the Auditors' Report and Internal Control Self-evaluation Report.

INTERNAL CONTROL

The Board takes the ultimate responsibility for the internal control system of the Company and reviews the effectiveness of relevant systems through the Audit Committee during the year. The Board always lays emphases on the establishment and completion of the internal control system while the Audit Committee, the management and external auditors are committed to improving the internal control system of the Company. The Board understands its responsibility for assuring the soundness, appropriateness and effectiveness of the internal control system of the Company so as to provide rational guarantee for attainment of the objectives of the Company.

Further system perfection and effectiveness evaluations were made in respect of internal control in 2008. The management promotes further improvements to the internal control system. The Audit Committee of the Board assumes the responsibility for evaluating the effectiveness of the internal control system. Subsidiaries have internal audit departments which are responsible for boosting the improvement and evaluation of the internal control system under the leadership of their respective Boards of Directors.

In 2008, the evaluation on the internal controls of the Company and its subsidiaries covered operation control, financial control, compliance control and risk management under the guidance of Basic Framework of Internal Control and Risk Management issued by the Hong Kong Institute of Certified Public Accountants and in obedience to Basic Norms of Corporate Internal Control jointly issued by five ministries (including Ministry of Finance of the People's Republic of China). Based on the results of evaluation, the Audit Committee of the Board prepared the draft of Internal Control Self- evaluation Report, the draft of which was considered and approved at the 7th meeting of the 5th session of the Board of Directors. The Internal Control Self-evaluation Report concluded that: without material internal control defects discovered in the evaluation, it is convinced that: in 2008, the Company is in full compliance with the provisions relating to internal control as set out in the Code to the Hong Kong Listing Rules, and the existing internal control mechanism of the Company is effective in preventing significant risks and management fraud and in controlling important workflow as required by relevant PRC regulations and securities regulatory authorities. The Board (including the Audit Committee) also considered that the Company has sufficient resources and staff members who are qualified and experienced in accounting and financial reporting. The relevant staff members have taken enough training courses and the Company have an adequate relevant budget.

In the future, the Company will, in light of the principle of continuous improvement, review and improve its internal control practices based on its accumulated experience, shareholders' opinions, domestic and international development trend as well as changing internal and external risks with reference to the Listing Rules.

REMUNERATION AND APPRAISAL COMMITTEE

The Company has a Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee is a specialised committee of the Board established under the resolution of the general meeting. It is responsible for studying the appraisal standards for the Directors and the senior management of the Company, performing appraisal and giving its advice. It is also responsible for research and review of the remuneration policy and scheme for the Directors and the senior management of the Company. The Remuneration and Appraisal Committee reports to the Board. It has reviewed the current remuneration policy and proposed to the Board to change the remuneration policy and scheme. After each meeting, the Committee will report to the Board.

Powers of the Remuneration and Appraisal Committee were approved by the Board and set out at the Company's website: http://www.hdpi.com.cn/st/TZ/DSWYH/XINCHOU.HTM

The Company elected the new session of Remuneration and Appraisal Committee at the 1st meeting of the fifth Board held on 30 June 2008.The current Remuneration and Appraisal Committee is chaired by Mr. Zhao Jinghua, an Independent Non-executive Director, and comprises Vice Chairman, Chen Feihu, Non-executive Director, Wang Yingli, and Independent non-executive Directors, Ding Huiping and Hu Yuanmu.

The 4th meeting of the fourth session of the Remuneration and Appraisal Committee and the 1st meeting of the fifth session were held on 23 March 2008 and 26 August 2008 respectively. Attendance of each member is as follows:

Director	Times of attendance/ times of meeting	Attendance Rate
Zhao Jinghua	2/2	100%
Chen Feihu	2/2	100%
Wang Yingli	2/2	100%
Ding Huiping	2/2	100%
Hu Yuanmu	2/2	100%

The remuneration of Executive Directors, the General Manager and other senior management of the Company were determined based on their calibre, education level and commitment to work with reference to the Company's results and profit, industry comparables and the market condition.

ANNUAL SALARY SCHEME FOR THE GENERAL MANAGER IN 2008

In order to provide for the necessary safeguard for the accomplishment of the strategic targets for the year 2008 and to ensure completion of the annual missions of the Board, the Company linked the annual salary scheme for the General Manager with the annual operating performance of the Company with reference to the Company's actual circumstances.

Based on the Company's development strategies, external environmental changes, performance of annual results, wage level of employees and other factors, and with reference to the salary level of listed peers, the Remuneration and Appraisal Committee determined the annual base salary for the General Manager in 2008 in line with such principles as integration of incentives and constraints, combination of short-term and long-term incentives, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives.

MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2008

In order to secure the accomplishment of the strategic targets for the year 2008 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee formulated the motivation and assessment methods for other senior management members (including the Deputy General Manager, the Financial Controller and the Secretary to the Board, hereinafter referred to as the "Relevant Senior Management Members") in 2008 with reference to the Company's actual circumstances.

The motivation and assessment methods for the Relevant Senior Management Members are proposed by the Managing Director and carried out by the Remuneration Committee upon approval of the Board.

The Remuneration and Appraisal Committee conducts the assessment of the relevant Senior Management Members under the principles of safeguarding interests of owners, maintenance of the market subject right of the enterprise and combination of assessment with reward and punishment.

ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2008, each Independent non-executive Director was paid the independent directors' allowance of RMB60,000 (before tax) by the Company.

REMUNERATION (ALLOWANCE) OF DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT IN 2008 (BEFORE INCOME TAX)

Name	Position	Director's remuneration (allowance) *(RMB0'000)*
Cao Peixi*	Chairman, Non-executive Director	0
Yun Gongmin*	Chairman, Non-executive Director	0
Chen Feihu	Vice Chairman, Non-executive Director	0
Zhu Chongli*	Vice Chairman, Non-executive Director	0
Meng Fanli*	Vice Chairman, Non-executive Director	0
Chen Jianhua	Executive Director, General Manager	71.55(deferred payment of RMB70,000)
Peng Xingyu*	Non-executive Director	0
Wang Yingli	Non-executive Director	0
Chen Bin	Non-executive Director	0
Zhong Tonglin	Executive Director, Deputy General Manager	71.44(deferred payment of RMB70,000)
Chu Yu*	Non-executive Director	0
Zhao Jinghua	Independent Non-executive Director	6.00
Ding Huiping	Independent Non-executive Director	6.00
Wang Chuanshun	Independent Non-executive Director	6.00
Hu Yuanmu	Independent Non-executive Director	6.00
Feng Lanshui*	Chairman of the Supervisory Committee	0
Li Xiaopeng*	Chairman of the Supervisory Committee	0
Li Changxu*	Supervisor	0
Peng Xingyu*	Supervisor	0
Zheng Feixue	Supervisor	37.00 (deferred payment of RMB43,100)
Zhou Lianqing	Secretary to the Board and Company Secretary	50.57 (deferred payment Of RMB49,000)
Zhu Fangxin	Chief Accountant	57.94 (deferred payment of RMB56,600)
Wang Wenqi	Deputy General Manager	59.39 (deferred payment of RMB59,400)
Bai Hua	Deputy General Manager	58.28 (deferred payment of RMB57,700)
Wang Hui	Deputy General Manager	57.82 (deferred payment of RMB57,100)
Peng Guoquan	Deputy General Manager	56.73 (deferred payment of RMB57,100)
Xie Yun	Chief Engineer	57.81 (deferred payment of RMB57,100)

* *Mr. Cao Peixi was no longer the Chairman of the Company with effect from 16 June 2008. Mr. Zhu Chongli was no longer the Vice Chairman of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).Mr. Peng Xingyu was no longer a Non-executive Director of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).Mr. Feng Lanshui was no longer the Chairman of the Supervisory Committee of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).Mr. Li Changxu was no longer a Supervisor of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).Mr. Yun Gongmin started to serve as the Chairman of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).Mr. Meng Fanli started to serve as the Vice Chairman of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).Mr. Chu Yu started to serve as a Non-executive Director of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).Mr. Li Xiaopeng started to serve as the Chairman of the Supervisory Committee of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).Mr. Peng Xingyu started to serve as a Supervisor of the Company with effect from 30 June 2008 (the conclusion of the 2007 Annual General Meeting).*

NOMINATION OF DIRECTORS

The Company has not set up a Nomination Committee. The Board, the Supervisory Committee or shareholders are responsible for nomination of Directors directly. They choose and recommend candidates for Directors according to relevant standards, including recommendations by others and, when necessary, making use of services of recruitment companies. The relevant standards include a director's proper professional knowledge and experience in the industry, personal integrity, calibre and commitment on devotion of time.

List of candidates for directors are submitted to the general meeting in form of a proposal for consideration. Candidates for directors other than independent non-executive director are nominated by the Board, the Supervisory Committee or shareholders individually or jointly holding 5% or more of the Company's shares with voting rights and elected at the general meeting of the Company.

Candidates for Independent non-executive Directors of the Company are nominated by the Board, the Supervisory Committee or shareholders individually or jointly holding 1% or more of the Company's shares with voting rights and elected at the general meeting of the Company.

At the 26th meeting of the fourth session of the Board held on 25 March 2008, the Board specifically considered the proposal for re-election of Directors. At the meeting, 12 persons, including Cao Peixi, Chen Feihu, Meng Fanli, Chen Jianhua, Wang Yingli, Mr. Chen Bin, Chu Yu, Mr. Zhong Tonglin, Zhao Jinghua, Ding Huiping, Wang Chuanshun and Hu Yuanmu, were approved as candidates to Directors of fifth session of the Board of the Company and such nomination was submitted to the 2007 Annual General Meeting for consideration and approval by way of ordinary resolution. The meeting was presided over by Mr. Cao Peixi as the Chairman and all Directors attended the meeting.

At the 29th meeting of the fourth session of the Board held on 16 June 2008, directors considered and approved the Extraordinary proposal from China Huadian for nominating Mr. Yun Gongmin as director candidate to the fifth session of the Board of the Company to be submitted to the 2007 Annual General Meeting, passed the additional proposal for nominating Mr. Yun Gongmin as director candidate to the fifth session of the Board of the Company and revoked the Proposal for nominating Mr. Cao Peixi as director candidate to the fifth session of the Board. As Mr. Cao Peixi has resigned from the position of Chairman and Director of the fourth session of the Board of the Company, Vice Chairman Mr. Chen Feihu shall perform the duty of Chariman upon the resignation taking effect until new Chairman is elected. The meeting was presided over by Mr. Chen Feihu who acted on behalf of the Chairman, and all Directors attended the meeting.

At the Annual General Meeting held on 30 June 2008, the proposal for re-election of the Board (including the extraordinary proposal from China Huadian) was considered and approved.

AUDITORS

During the year ended 31 December 2008, fees charged by KPMG and KPMG Huazhen, the auditors of the Company, amounted to approximately RMB11million (including the audit fees for acquisition of Four Power Enterprises from China Huadian by the Company in 2008) for audit services and there was no fees paid for other services. The audit fees were considered by the Audit Committee and the Board and approved at general meeting.

The Audit Committee has resolved to re-appoint KPMG and KPMG Huazhen to conduct the statutory audit for the financial statements for the financial year of 2009 according to IFRS and China Accounting Standards for Business Enterprises (2006) respectively. The resolution was approved by the Board and is subject to the final approval and authorisation by the shareholders at the forthcoming 2008 Annual General Meeting.

INVESTOR RELATIONS

The Company undertakes that it shall make impartial disclosure and full and transparent reporting. The ultimate duty of the Chairman is to ensure effective communication with the investors and the Board's understanding of the opinions from substantial shareholders. In this regard, the Chairman shall meet with the shareholders. The Secretary to the Board is responsible for day-to-day contacts between the Board and substantial shareholders.

The last annual general meeting was held in Beijing on 30 June 2008, at which the Chairman, the chairman of the Audit Committee and the chairman of the Remuneration and Appraisal Committee answered questions. At the general meeting, each matter was put forward in form of a separate proposal and voted by way of poll.

The senior management shall preside over presentations and attend the meetings with institutional investors and financial analysts for intercommunication in respect of the Company's results and business prospects, which is a regular function of investor relations. Investors and the public may access the Company's website to download documents about these meetings. The website also sets out the detailed information on the Company's businesses.

For any inquiry addressed to the Board, shareholder can contact the Secretary to the Board through shareholder hotlines (86531-82366808, 82366095 or 82366096) or by email (hdpi@hdpi.com.cn) or by fax (86531-82366090), or raise the questions at the annual general meeting or the extraordinary general meeting. Inquiry can also be made through the above means to the Secretary to the Board for procedures concerning convening an annual general meeting or extraordinary general meeting and putting forward a proposal.

By Order of the Board
Yun Gongmin
Chairman

Beijing, the PRC
8 April 2009

Supervisory Committee Report

To Shareholders,

Since the incorporation of the Company, all members of the Supervisory Committee have performed their duties in strict compliance with the Company Law of the People's Republic of China (the "Company Law"), the Articles of Association of the Company and the relevant laws and regulations of Hong Kong in order to safeguard the interests of shareholders and the Company.

In 2008, the Supervisory Committee attended the Board of Directors' meetings and major activities of the Company and learned about the development and operating situation of the Company. We are of the opinion that the management has kept its promises and abided by the relevant laws through their significant contribution to the Company's operation, development and production management. We consider that the Company's management has been performing its duties in an effective and appropriate manner and in the ultimate interests of its shareholders.

1. WORK OF THE SUPERVISORY COMMITTEE IN 2008

In 2008, the Supervisory Committee of the Company convened 5 meetings, details of which are as follows:

1. The 13th meeting of the 4th session of the Supervisory Committee was convened on 25 March 2008 at Holiday Inn Central Plaza, 1 Caiyuan Street, Xuanwu District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid.

   For details, please refer to announcement of resolutions passed by Supervisory Committee dated 25 March 2008.

2. The 14th meeting of the 4th session of Supervisory Committee was convened on 28 April 2008 at the Company's conference room situating at No.14 Jingsan Road, Jinan City, Shandong Province. Supervisors, Feng Lanshui, Li Changxu and Zheng Feixue, attended the meeting, and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

   After hearing the analysis on business operation in the first quarter of 2008, the meeting considered and approved the Company's first Quarterly Report of 2008 prepared in accordance with the Listing Rules of Shanghai Stock Exchange. The preparation of and consideration procedure for the Quarterly Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; the content and format of the Quarterly Report were in compliance with all provisions of China Securities Regulatory Commission and the Shanghai Stock Exchange and the information contained therein can truly reflect the Company's operations, management and financial positions during the first quarter of the year; Before arriving at this opinion, no person participating in preparation and consideration of the Quarterly Report had any act in breach against the rules of confidentiality. The meeting authorized amendment to be made at discretion and to timely publish the same pursuant to the relevant regulations of the Stock Listing Rules of the Shanghai Stock Exchange and the simultaneous disclosure required by the Hong Kong Stock Exchange.

3. The 1st meeting of the 5th session of Supervisory Committee was convened on 30 June 2008 at China People's Palace, No.1 Zhenwumiao Road, Xicheng District, Beijing, the PRC. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid.

   For details, please refer to Announcement of Resolutions by Supervisory Committee dated 30 June 2008."

4. The 2nd meeting of the 5th session of Supervisory Committee was convened on 28 August 2008 at CITIC Guoan Grand Epoch City, Xianghe Economic Technical Development Zone, Hebei Province, the PRC. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

   (1) The Interim Financial Report for 2008 which was prepared under the International Financial Reporting Standards and the China GAAP respectively for the reporting period ended 30 June 2008 was considered and approved;

   (2) The 2008 Interim Report, Summary of the Report and Results Announcement prepared in accordance with the Listing Rules of Shanghai Stock Exchange and Hong Kong Stock Exchange were considered and approved. The preparation and consideration procedure for the Interim Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; the content and format of the Interim Report were in compliance with all provisions of China Securities Regulatory Commission and the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the information contained therein could truly reflect the Company's operations, management and financial positions during the reporting period;

5. The 3rd meeting of the 5th session of Supervisory Committee was convened on 30 October 2008 at Shenzhen Hotel, No. 1 Guang'anmenwai Street, Xuanwu District, Beijing. Supervisors of the Company, Mr. Li Xiaopeng and Ms. Zheng Feixue attended the meeting in person and Mr. Peng Xingyu appointed Ms. Zheng Feixue to attend the meeting on his behalf. The meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

   After hearing the analysis on business operation in the third quarter of 2008, the meeting considered and approved the Company's third Quarterly Report of 2008 prepared in accordance with the Listing Rules of Shanghai Stock Exchange. The preparation and consideration procedure for the Quarterly Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; The content and format of the Quarterly Report were in compliance with all provisions of China Securities Regulatory Commission, the Shanghai Stock Exchange and the information contained therein could truly reflect the Company's operations, management and financial positions during the third quarter of the year; Before arriving at this opinion, no person participating in preparation and consideration of the Quarterly Report had any act in breach against the rules of confidentiality. The meeting authorized amendment to be made at discretion and timely publish the same pursuant to the relevant regulations of the Stock Listing Rules of the Shanghai Stock Exchange and the simultaneous disclosure required by the Hong Kong Stock Exchange.

2. INDEPENDENT OPINION ON THE COMPANY'S OPERATION IN ACCORDANCE WITH THE LAW

The Supervisory Committee has carefully examined the procedures of convening general meetings and Board meetings, resolutions passed at such meetings, implementation of resolutions passed at general meetings by the Board, senior management's performance of its duties and the Company's internal management system, in accordance with relevant PRC laws and regulations.

We consider that the Board has conducted its operations strictly in compliance with the Company Law, PRC Securities Law, the Articles of Association and other relevant laws and regulations; the Directors were diligent and responsible in arriving at reasonable decisions; the Company has established effective management systems and has been proactively improving the internal management system for its growth, the Company's operating activities were all in compliance with provision of laws and regulations. In reviewing the Company's financial standing and examining the directors' and senior management's performance of their duties, the Supervisory Committee did not find any breach of disciplines or rules, or any harm against shareholders' interests.

3. SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON REVIEW OF THE COMPANY'S FINANCIAL STANDING

The Supervisory Committee has carefully reviewed the Company's Report of the Final Financial Statements for 2008, 2008 Profit Distribution Plan, 2008 Annual Report, 2008 Unqualified Auditors' Reports prepared by the international auditors and domestic auditors of the Company and other relevant information in respect of the year 2008.

We are of the opinion that the Company's Report of the Final Financial Statements for 2008 were reliable, which objectively reflected the financial standing and operating results of the Company. The Supervisory Committee agreed with the auditors' reports for Company and its 2008 Profit Distribution Plan.

4. SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON ACTUAL USE OF LAST RAISED FUNDS OF THE COMPANY

The last fund raising exercise of the Company was its issue of A shares made on 3 February 2005. The actual use of the proceeds raised was consistent with the intended use of proceeds set out in the Company's prospectus.

5. SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON ACQUISITION AND DISPOSAL OF ASSETS

The Company acquired equity interests in Huadian Banshan Company, Shijiazhuang Thermal Power Company, Hebei Hydropower Company, Za-gunao Hydroelectric Company and Huarui Company. We are not aware of any insider dealing activities in such equity interest acquisition. No act violating the shareholders' interests or resulting in any loss of assets of the Company was identified.

6. SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON THE COMPANY'S CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During 2008, we consider that the considerations paid by the Company for the acquisition projects were all reasonable and the connected transactions and continuing connected transactions were fair; and the acquisition transactions were in the interests of the Company and shareholders as a whole.

The Supervisory Committee will continue to perform its duties and will proceed with its best endeavours to safeguard the interests of the shareholders. The Supervisory Committee is satisfied with the achievements attained by the Group and has confidence in the prospect of the Group.

Chairman of the Supervisory Committee
Li Xiaopeng

Beijing, the PRC
8 April 2009

Corporate Information

Directors as at the date of the Annual Report:	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)* Hu Yuanmu *(Independent non-executive Director)*
Legal address	14 Jingsan Road Jinan, Shandong Province The People's Republic of China
Authorized representatives	Chen Jianhua Zhou Lianqing
Company secretary	Zhou Lianqing
Hong Kong share registrar and transfer office	Hong Kong Registrars Limited 17th Floor Hopewell Centre 183 Queen's Road East Hong Kong
Auditors	KPMG Certified Public Accountants 8th Floor, Prince's Building Central Hong Kong
Legal advisers to the Company as to Hong Kong law and United States law	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Central Hong Kong
as to PRC law	Haiwen & Partners Room 1711, Beijing Silver Tower No. 2 Dong San Huan North Road Chao Yang District Beijing The People's Republic of China

Corporate Information (Continued)

COMPANY PUBLICATIONS

The Company's 2008 Annual Reports were published in April 2009. Copies of the interim and annual reports are available for collection at:

PRC	Huadian Power International Corporation Limited 14 Jingsan Road Jinan, Shandong Province The People's Republic of China Tel: (86 531) 8236-6222 Fax: (86 531) 8236-6090
Hong Kong	Wonderful Sky Public Relations and Financial Consultant Company Limited Unit 3103, 31st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong Tel: (852) 2851-1038 Fax: (852) 2815-1352

Report of The International Auditors

To the Shareholders of
Huadian Power International Corporation Limited
(Established in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of Huadian Power International Corporation Limited (the "Company") set out on pages 69 to 144, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated and company statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's loss and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

8 April 2009

Consolidated income statement

for the year ended 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Turnover	4	**29,997,264**	20,341,122
Operating expenses			
Coal consumption		**(22,659,671)**	(11,561,076)
Depreciation and amortisation		**(3,669,103)**	(2,857,760)
Major overhaul expenses		**(405,373)**	(331,967)
Repairs and maintenance		**(447,508)**	(286,712)
Personnel costs	5	**(1,511,040)**	(1,150,571)
Administration expenses		**(972,143)**	(649,611)
Sales related taxes	6	**(205,444)**	(205,666)
Other operating expenses		**(737,465)**	(343,995)
		(30,607,747)	(17,387,358)
Operating (loss)/profit		**(610,483)**	2,953,764
Investment income		**31,004**	—
Other net income		**312,528**	87,847
Net finance costs	7	**(2,810,271)**	(1,381,912)
Share of (losses) less profits of associates		**(139,788)**	84,187
Share of profit of a jointly controlled entity		**27,209**	45,681
(Loss)/profit before taxation	8	**(3,189,801)**	1,789,567
Income tax	11(a)	**130,679**	(269,102)
(Loss)/profit for the year		**(3,059,122)**	1,520,465
Attributable to:			
Equity shareholders of the Company		**(2,560,103)**	1,196,860
Minority interests		**(499,019)**	323,605
(Loss)/profit for the year		**(3,059,122)**	1,520,465
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	13(a)	**—**	373,307
Basic and diluted (losses)/earnings per share	14	**RMB(0.425)**	RMB0.199

The notes on pages 78 to 144 form part of these financial statements.

Consolidated balance sheet

as at 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	15(a)	**60,876,273**	52,434,812
Construction in progress	16	**13,099,105**	6,062,608
Lease prepayments	17	**896,460**	880,850
Intangible assets	18	**1,060,906**	44,431
Interests in associates	20	**1,969,653**	1,700,821
Interest in a jointly controlled entity	21	**221,817**	218,228
Other investments	22	**501,253**	145,539
Deferred tax assets	29	**235,843**	76,184
		78,861,310	61,563,473
Current assets			
Inventories	23	**1,782,160**	649,780
Trade debtors and bills receivable	24	**1,969,298**	1,962,311
Deposits, other receivables and prepayments		**880,840**	367,749
Tax recoverable	11(b)	**49,723**	16,868
Restricted deposits	25	**4,791**	19,950
Cash and cash equivalents	26	**1,869,305**	1,373,289
		6,556,117	4,389,947
Current liabilities			
Bank loans	27(a)	**14,249,721**	9,360,707
Loans from shareholders	27(b)	**660,000**	-
State loans	27(c)	**10,192**	10,095
Other loans	27(d)	**1,763,662**	1,873,362
Short-term debenture payables	27(e)	**2,605,798**	3,985,759
Amount due to holding company		**964,096**	16,080
Trade creditors and bills payable	28	**5,118,511**	6,486,646
Other payables		**2,369,629**	2,380,865
Tax payable	11(b)	**10,216**	107,686
		27,751,825	24,221,200
Net current liabilities		**(21,195,708)**	(19,831,253)
Total assets less current liabilities carried forward		**57,665,602**	41,732,220

Consolidated balance sheet (Continued)

as at 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Total assets less current liabilities brought forward		**57,665,602**	41,732,220
Non-current liabilities			
Bank loans	27(a)	**36,061,811**	20,620,128
Loans from shareholders	27(b)	**1,951,528**	1,235,000
State loans	27(c)	**50,135**	60,732
Other loans	27(d)	**2,306,569**	635,640
Deferred government grants		**284,951**	214,988
Deferred income	30	**136,034**	81,163
Deferred tax liabilities	29	**937,794**	741,887
		41,728,822	23,589,538
NET ASSETS		**15,936,780**	18,142,682
CAPITAL AND RESERVES			
Share capital	31(a)	**6,021,084**	6,021,084
Reserves		**5,405,231**	8,278,735
Total equity attributable to equity shareholders of the Company		**11,426,315**	14,299,819
Minority interests		**4,510,465**	3,842,863
TOTAL EQUITY		**15,936,780**	18,142,682

Approved and authorised for issue by the Board of Directors on 8 April 2009.

Chen Jianhua
Director

Zhong Tonglin
Director

The notes on pages 78 to 144 form part of these financial statements.

Balance sheet

as at 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	15(b)	**9,247,675**	9,921,153
Construction in progress	16	**1,724,674**	981,756
Lease prepayments	17	**173,602**	178,905
Intangible assets	18	**45,457**	45,457
Investments in subsidiaries	19	**10,464,403**	7,532,488
Interests in associates	20	**1,478,105**	1,552,033
Interest in a jointly controlled entity	21	**142,800**	142,800
Other investments	22	**455,309**	140,539
		23,732,025	20,495,131
Current assets			
Inventories	23	**397,799**	195,283
Trade debtors and bills receivable	24	**6,394**	62,406
Amounts due from subsidiaries		**474,078**	31,262
Deposits, other receivables and prepayments		**73,487**	228,822
Tax recoverable	11(b)	**23,907**	—
Cash and cash equivalents	26	**780,288**	1,077,873
		1,755,953	1,595,646
Current liabilities			
Bank loans	27(a)	**5,021,144**	2,064,436
Loans from shareholders	27(b)	**500,000**	—
State loans	27(c)	**10,192**	10,095
Other loans	27(d)	**550,000**	50,000
Short-term debenture payables	27(e)	**2,605,798**	3,985,759
Amount due to holding company		**958,996**	8,675
Amounts due to subsidiaries		**421,632**	369,857
Trade creditors and bills payable	28	**1,486,181**	1,021,375
Other payables		**250,453**	285,427
Tax payable	11(b)	**—**	97,237
		11,804,396	7,892,861
Net current liabilities		**(10,048,443)**	(6,297,215)
Total assets less current liabilities carried forward		**13,683,582**	14,197,916

Balance sheet (Continued)

as at 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Total assets less current liabilities brought forward		**13,683,582**	14,197,916
Non-current liabilities			
Bank loans	27(a)	**970,000**	730,460
Loans from shareholders	27(b)	**621,878**	585,000
State loans	27(c)	**40,335**	53,232
Other loans	27(d)	**200,000**	—
Deferred government grants		**91,088**	89,870
Deferred tax liabilities	29	**41,007**	41,054
		1,964,308	1,499,616
NET ASSETS		**11,719,274**	12,698,300
CAPITAL AND RESERVES			
Share capital	31(a)	**6,021,084**	6,021,084
Reserves		**5,698,190**	6,677,216
TOTAL EQUITY		**11,719,274**	12,698,300

Approved and authorised for issue by the Board of Directors on 8 April 2009.

Chen Jianhua
Director

Zhong Tonglin
Director

The notes on pages 78 to 144 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Revaluation reserve	Fair value reserve	Retained profits	Total	Minority interests	Total equity
	RMB'000 *(note 31(a))*	*RMB'000* *(note 31 (b)(i))*	*RMB'000* *(note 31 (b)(ii))*	*RMB'000*	*RMB'000* *(note 31 (b)(iii))*	*RMB'000* *(note 31 (b)(iv))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2007	6,021,084	1,897,919	1,453,842	68,089	44,726	—	3,990,606	13,476,266	2,371,637	15,847,903
Capital injection from minority shareholders to subsidiaries	—	—	—	—	—	—	—	—	1,161,139	1,161,139
Dividends approved for equity shareholders of the Company *(note 13(b))*	—	—	—	—	—	—	(373,307)	(373,307)	—	(373,307)
Dividends approved for minority equity shareholders of subsidiaries	—	—	—	—	—	—	—	—	(13,518)	(13,518)
Appropriations	—	—	(49,322)	—	—	—	49,322	—	—	—
Profit for the year	—	—	—	—	—	—	1,196,860	1,196,860	323,605	1,520,465
Balance at 31 December 2007	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
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 shareholders to subsidiaries	—	—	—	—	—	—	—	—	486,225	486,225
Gain on dilution of equity interest in a subsidiary	—	—	—	—	—	—	65,420	65,420	(65,420)	—
Contribution from ultimate holding company	—	11,555	—	—	—	—	—	11,555	209	11,764
Dividends approved for equity shareholders of the Company *(note 13(b))*	—	—	—	—	—	—	(373,307)	(373,307)	—	(373,307)
Dividends approved for minority equity shareholders of subsidiaries	—	—	—	—	—	—	—	—	(87,509)	(87,509)
Acquisition of subsidiaries *(note 34)*	—	—	—	—	—	—	—	—	833,875	833,875
Available-for-sale securities:										
- Changes in fair value	—	—	—	—	—	(19,331)	—	(19,331)	(1,230)	(20,561)
- Transfer to profit or loss on disposal	—	—	—	—	—	2,262	—	2,262	471	2,733
Loss for the year	—	—	—	—	—	—	(2,560,103)	(2,560,103)	(499,019)	(3,059,122)
Balance at 31 December 2008	6,021,084	1,909,474	1,404,520	68,089	44,726	(17,069)	1,995,491	11,426,315	4,510,465	15,936,780

The notes on pages 78 to 144 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained profits	Total equity
	RMB'000 (note 31(a))	*RMB'000 (note 31 (b)(i))*	*RMB'000 (note 31 (b)(ii))*	*RMB'000 (note 31 (b)(iii))*	*RMB'000*	*RMB'000*
Balance at 1 January 2007	6,021,084	1,897,919	1,453,842	68,089	2,815,993	12,256,927
Dividends approved *(note 13(b))*	—	—	—	—	(373,307)	(373,307)
Appropriations	—	—	(49,322)	—	49,322	—
Profit for the year	—	—	—	—	814,680	814,680
Balance at 31 December 2007	6,021,084	1,897,919	1,404,520	68,089	3,306,688	12,698,300
Balance at 1 January 2008	6,021,084	1,897,919	1,404,520	68,089	3,306,688	12,698,300
Contribution from ultimate holding company	—	10,604	—	—	—	10,604
Dividends approved *(note 13(b))*	—	—	—	—	(373,307)	(373,307)
Loss for the year	—	—	—	—	(616,323)	(616,323)
Balance at 31 December 2008	6,021,084	1,908,523	1,404,520	68,089	2,317,058	11,719,274

The notes on pages 78 to 144 form part of these financial statements.

Consolidated cash flow statement

for the year ended 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	**2008** **RMB'000**	2007 RMB'000
Operating activities			
Cash received from customers and others		**30,578,207**	19,943,693
Cash paid to suppliers, employees and others		**(27,356,308)**	(14,385,710)
Cash generated from operations		**3,221,899**	5,557,983
Interest paid		**(3,341,242)**	(1,887,121)
Enterprise income tax paid		**(113,354)**	(316,131)
Net cash (used in)/from operating activities		**(232,697)**	3,354,731
Investing activities			
Acquisition of property, plant and equipment and construction in progress		**(10,604,791)**	(10,210,541)
Proceeds from sale of property, plant and equipment		**38,639**	1,168
Lease prepayments paid		**(18,861)**	(9,942)
Acquisition of subsidiaries, net of cash acquired	34	**(335,932)**	44,871
Capital injection in associates		**(263,355)**	(148,410)
Capital injection in other investments		**(334,770)**	(10,000)
Interest received		**25,516**	13,860
Collection of designated loan		**—**	100,000
Dividends received		**101,360**	55,749
Net cash used in investing activities		**(11,392,194)**	(10,163,245)

Consolidated cash flow statement (Continued)

for the year ended 31 December 2008
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Financing activities			
Proceeds from borrowings		**42,990,930**	28,781,304
Proceeds from government grants		**339,225**	22,818
Repayment of borrowings		**(30,602,666)**	(22,567,831)
Proceeds from bank acceptance bills receivable discounted		**247,972**	1,062,541
Repayment of bank acceptance bills payable		**(784,090)**	(1,056,411)
Capital injection from minority equity shareholders to subsidiaries		**474,538**	1,159,578
Dividends paid to equity shareholders of the Company		**(373,307)**	(373,307)
Dividends paid to minority equity shareholders of subsidiaries		**(46,274)**	(7,497)
Decrease in restricted deposits		**15,159**	296,108
Other cash paid relating to financing activities		**(140,580)**	(97,683)
Net cash from financing activities		**12,120,907**	7,219,620
Net increase in cash and cash equivalents		**496,016**	411,106
Cash and cash equivalents at beginning of the year		**1,373,289**	962,183
Cash and cash equivalents at end of the year	26	**1,869,305**	1,373,289

The notes on pages 78 to 144 form part of these financial statements.

1 BACKGROUND OF THE COMPANY

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

The Company and its subsidiaries (the "Group") 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"). IFRS includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IAS") and related interpretations.

These financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

The 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. Note 3(a) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2008 comprise the Group and its interests in associates and a jointly controlled entity.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale are stated at their fair value (see note 2(f)).

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

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

Judgement made by management in the application of IFRSs that have significant effect on the financial statements and have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in the next year are disclosed in note 38.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full 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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)).

(d) Associates and jointly controlled entities

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of the associate's or the jointly controlled entity's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates and jointly controlled entities for the year, including any impairment loss on goodwill relating to the investment in associates and jointly controlled entities recognised for the year (see notes 2(g) and (k)).

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or the jointly controlled entity. For this purpose, the Group's interest in the associate or the jointly controlled entity 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 the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the associate or jointly controlled entity, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(k)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Minority interests

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

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

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

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(u)(iii) and (iv).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(k)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Other investments in debt and equity securities (continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(u)(iii) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(u)(iv). When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investment are recognised/derecognised on the date of Group commits to purchase/sell the investments or they expire.

(g) Goodwill

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

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

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

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

(h) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(k)).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the initial estimate, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located and an appropriate proportion of borrowing costs (see note 2(y)).

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated useful residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20-45 years
Generators and related machinery and equipment	5-20 years
Motor vehicles, furniture, fixtures, equipment and others	5-10 years

When parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

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

(i) Construction in progress

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

The costs are transferred to property, plant and equipment and depreciation will be provided at the appropriate rates specified in note 2(h) above when the relevant assets are completed and ready for their intended use.

(j) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(k)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset's estimated useful lives.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and receivables

Investments in debt and equity securities (other than investments in subsidiaries, associates and jointly controlled entity: see note 2(k)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have on adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity investment below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(i) Impairment of investments in debt and equity securities and receivables (continued)

— For trade and other current receivables and other financial assets carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

— For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other charges in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets

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

— property, plant and equipment;

— construction in progress;

— lease prepayments;

— intangible assets;

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

— goodwill.

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

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

— Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the listing of securities on The Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(k)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill and unquoted securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Lease prepayments

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

(m) Inventories

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

(n) Trade and other receivables

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Interest-bearing borrowings

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

(p) Short-term debentures

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

(q) Trade and other payables

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

(r) Cash and cash equivalents

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

(s) Derivative financial instruments

The Group entered into certain foreign currency forward contracts that were not designated as hedges for accounting purposes. The foreign currency forward contracts related to exposures of the Group's US dollar loans. The fair value movements of the foreign currency forward contracts and the retranslation of the underlying exposure are recorded in profit or loss and largely offset. At each balance sheet date, the fair value is remeasured and any gain or loss on remeasurement to fair value is charged immediately to profit or loss.

(t) Financial guarantees issued and provisions

(i) Financial guarantees issued

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Financial guarantees issued and provisions (continued)

(i) Financial guarantees issued (continued)

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(t)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions

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

(u) Revenue recognition

(i) Electricity income

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

(ii) Heat income

Heat income is recognised when heat is supplied to customers.

(iii) Dividend income

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

(iv) Interest income

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Revenue recognition (continued)

(v) Government grants

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

(vi) Upfront connection and installation fee

Upfront connection and installation fee received for connecting the customers' premises to the heat network of the Group is deferred and recognised in equal instalments over the expected service terms after the completion of the installation work.

(v) Major overhauls, repairs and maintenance

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

(w) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

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

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

(x) Income tax

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Income tax (continued)

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

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

(y) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use are interrupted or complete.

(z) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term.

(aa) Employee benefits

(i) Short term employee benefits and contributions to defined contributions retirement plans

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

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(bb) Research and development costs

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

(cc) Related parties

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

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

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

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

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

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

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

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

(dd) Segment reporting

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

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

(ee) Dividends

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

3 CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(a) The IASB has issued a number of new interpretations and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. However, these IFRS developments have had no significant impact on the Group's financial statements as either they were consistent with accounting policies already adopted by the Group or they were not relevant to the Group's and the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 41).

(b) 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 have been decreased.

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

	2008	2009	2010	Subsequent years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in depreciation	122,886	(40,962)	(40,962)	(40,962)

4 TURNOVER

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

	2008	2007
	RMB'000	*RMB'000*
Sale of electricity	**29,275,040**	20,008,797
Sale of heat	**722,224**	332,325
	29,997,264	20,341,122

5 PERSONNEL COSTS

	2008	2007
	RMB'000	*RMB'000*
Wages, welfare and other benefits	**991,462**	710,578
Retirement costs *(note 33)*	**198,979**	185,956
Other staff costs	**320,599**	254,037
	1,511,040	1,150,571

6 SALES RELATED TAXES

Sales related taxes represent city maintenance and construction tax and education surcharge, which are calculated at 1-7% and 3-5% (2007: 1-7% and 3-5%), respectively, of net VAT payable.

7 NET FINANCE COSTS

	2008	2007
	RMB'000	*RMB'000*
Interest on bank advances and other loans repayable within five years	**2,594,426**	1,358,210
Interest on other loans repayable after five years	**943,734**	705,181
Less: Interest capitalised	**(575,750)**	(583,027)
	2,962,410	1,480,364
Less: Interest income	**(32,149)**	(9,759)
Net foreign exchange gain	**(119,990)**	(99,325)
Net loss on derivative financial instruments	**—**	10,632
	2,810,271	1,381,912

The interest costs have been capitalised at an average rate of 6.26% per annum (2007: 5.60%) for construction in progress.

8 (LOSS)/PROFIT BEFORE TAXATION

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

	2008	2007
	RMB'000	*RMB'000*
Amortisation of lease prepayments	**43,165**	24,367
Auditors' remuneration	**9,000**	8,500
Cost of inventories	**23,642,969**	12,285,766
Depreciation	**3,625,938**	2,833,393
Government grants included in other net income	**(216,227)**	(11,710)
(Gain)/loss on disposal of property, plant and equipment	**(58,044)**	4,759
Impairment losses on trade and other receivables	**9,279**	3,654
Provision for stock obsolescence	**1,771**	3,756
Operating lease charges in respect of land and buildings	**44,272**	31,071
Research and development costs	**8,743**	13,406
Share of associates' taxation	**21,430**	12,817

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Retirement benefits	Bonuses	2008 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Yun Gongmin	—	—	—	—	—
Cao Peixi	—	—	—	—	—
Chen Feihu	—	—	—	—	—
Zhu Chongli	—	—	—	—	—
Meng Fanli	—	—	—	—	—
Chen Jianhua	—	306	59	350	715
Peng Xingyu	—	—	—	—	—
Wang Yingli	—	—	—	—	—
Chen Bin	—	—	—	—	—
Zhong Tonglin	—	306	59	350	715
Chu Yu	—	—	—	—	—
Independent non-executive directors					
Ding Huiping	—	60	—	—	60
Zhao Jinghua	—	60	—	—	60
Hu Yuanmu	—	60	—	—	60
Wang Chuanshun	—	60	—	—	60
Supervisors					
Feng Lanshui	—	—	—	—	—
Zheng Feixue	—	120	35	215	370
Peng Xingyu	—	—	—	—	—
Li Xiaopeng	—	—	—	—	—
Li Changxu	—	—	—	—	—
	—	972	153	915	2,040

9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS (continued)

	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Retirement benefits	Bonuses	2007 Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Directors					
Cao Peixi	—	—	—	—	—
He Gong	—	—	—	—	—
Chen Feihu	—	—	—	—	—
Zhu Chongli	—	—	—	—	—
Chen Jianhua	—	243	69	480	792
Tian Peiting	—	112	18	216	346
Wang Yingli	—	—	—	—	—
Zhang Bingju	—	—	—	—	—
Peng Xingyu	—	—	—	—	—
Chen Bin	—	—	—	—	—
Zhong Tonglin	—	243	63	480	786
Independent non-executive directors					
Ding Huiping	—	60	—	—	60
Zhao Jinghua	—	60	—	—	60
Hu Yuanmu	—	60	—	—	60
Wang Chuanshun	—	60	—	—	60
Supervisors					
Feng Lanshui	—	—	—	—	—
Zheng Feixue	—	130	41	239	410
Li Changxu	—	—	—	—	—
	—	968	191	1,415	2,574

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2007: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments of the remaining three highest paid individuals (2007: three) is as follows:

	2008	2007
	RMB'000	*RMB'000*
Salaries and other emoluments	**747**	573
Retirement benefits	**141**	165
Bonuses	**868**	1,134
	1,756	1,872

The emoluments of the three (2007: three) individuals with the highest emoluments are within the following bands:

	2008	2007
	Number of individuals	*Number of individuals*
RMB NIL-RMB1,000,000	**3**	3

11 INCOME TAX

(a) Taxation in the consolidated income statement represents:

	2008	2007
	RMB'000	*RMB'000*
Current tax		
Charge for PRC enterprise income tax for the year	**12,021**	328,688
(Over)/under-provision in respect of previous years	**(25,558)**	3,858
	(13,537)	332,546
Deferred tax *(note 29)*		
Origination and reversal of temporary differences	**(136,919)**	140,826
Under-provision in respect of previous year	**19,777**	—
Reduction in tax rate *(note (iii))*	**—**	(204,270)
	(117,142)	(63,444)
Total income tax (credit)/expense in the consolidated income statement	**(130,679)**	269,102

11 INCOME TAX (continued)

(a) Taxation in the consolidated income statement represents: (continued)

Reconciliation between tax (credit)/expense and accounting (loss)/profit at applicable tax rate:

	2008	2007
	RMB'000	*RMB'000*
(Loss)/profit before taxation	**(3,189,801)**	1,789,567
Notional PRC enterprise income tax (credit)/expense at a statutory tax rate of 25% (2007: 33%)	**(797,450)**	590,559
Non-deductible expenses	**76,767**	7,637
Non-taxable income	**(49,776)**	(36,809)
Preferential tax rate on subsidiary's loss/(income) *(note(i))*	**24,326**	(45,318)
Tax credit *(note (ii))*	**—**	(46,555)
Reduction in tax rate *(note (iii))*	**—**	(204,270)
Tax effect of unused tax losses not recognised	**621,235**	—
(Over)/under-provision in respect of previous years	**(5,781)**	3,858
	(130,679)	269,102

Notes:

(i) *The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (2007: 33%) on the estimated assessable profits or losses of the year 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%.*

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

(iii) *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 certain subsidiaries of the Company which enjoy a preferential rate of 15% until 2010 and certain subsidiaries of the Company which are entitled to a three year tax holiday followed by two years of 50% reduction in income tax payable, the Group's applicable income tax rate was changed from 33% to 25% from 1 January 2008. Deferred tax credit of RMB204,270,000 was adjusted in 2007 based on the tax rate that is expected to apply to the period when the deferred tax asset is realised or the deferred tax liability is settled.*

11 INCOME TAX (continued)

(b) Income tax in the balance sheets represents:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Charge for PRC enterprise income tax for the year	**21,172**	328,688	**—**	241,650
Payments made relating to the current year	**(32,161)**	(237,870)	**(17,740)**	(144,413)
Balance of PRC enterprise income tax relating to prior years	**(28,518)**	—	**(6,167)**	—
Net PRC enterprise income tax (recoverable)/payable	**(39,507)**	90,818	**(23,907)**	97,237
Representing:				
Tax payable	**10,216**	107,686	**—**	97,237
Tax recoverable	**(49,723)**	(16,868)	**(23,907)**	—
	(39,507)	90,818	**(23,907)**	97,237

12 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The loss attributable to ordinary equity shareholders of the Company includes a loss of RMB807,512,000 (2007: a profit of RMB745,274,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2008	2007
	RMB'000	*RMB'000*
Amount of consolidated (loss)/profit attributable to shareholders dealt with in the Company's financial statements	**(807,512)**	745,274
Final dividend from subsidiaries, associates and jointly controlled entity attributable to the profits of the previous financial year, approved and paid during the year	**216,260**	69,406
Impairment losses of associates	**(25,071)**	—
Company's (loss)/profit for the year	**(616,323)**	814,680

13 DIVIDENDS

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

	2008	2007
	RMB'000	*RMB'000*
Final dividend proposed after balance sheet date of RMB nil per share (2007: RMB0.062 per share)	—	373,307

Pursuant to a resolution passed at the Directors' meeting held on 8 April 2009, no dividend will be payable to shareholders for 2008, subject to the approval of the shareholders at the coming Annual General Meeting.

The final dividend proposed after the balance sheet date for 2007 was not recognised as a liability at the balance sheet date.

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

	2008	2007
	RMB'000	*RMB'000*
Final dividend in respect of the financial year ended 31 December 2007, approved and paid during the year, of RMB0.062 per share (2007: RMB0.062 per share)	**373,307**	373,307

14 (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 year ended 31 December 2008 of RMB2,560,103,000 (2007: profit attributable to ordinary equity shareholders of the Company of RMB1,196,860,000) and the number of shares in issue during the year ended 31 December 2008 of 6,021,084,200 (2007: 6,021,084,200).

(b) Diluted (losses)/earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2008 and 2007.

15 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings	Generators and related machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2007	11,496,690	34,497,540	803,812	46,798,042
Additions	3,170	11,161	42,905	57,236
Through acquisition of a subsidiary	—	—	3,909	3,909
Transferred from construction in progress *(note 16)*	3,691,538	15,371,168	102,331	19,165,037
Disposals	(6,060)	(15,493)	(17,239)	(38,792)
At 31 December 2007	15,185,338	49,864,376	935,718	65,985,432
At 1 January 2008	15,185,338	49,864,376	935,718	65,985,432
Additions	1,642	11,165	47,593	60,400
Through acquisition of subsidiaries *(note 34)*	2,050,342	4,402,278	108,315	6,560,935
Transferred from construction in progress *(note 16)*	1,363,283	4,050,945	55,921	5,470,149
Disposals	(100,014)	(637,062)	(40,792)	(777,868)
At 31 December 2008	18,500,591	57,691,702	1,106,755	77,299,048

15 PROPERTY, PLANT AND EQUIPMENT (continued)

(a) The Group (continued)

	Buildings	Generators and related machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:				
At 1 January 2007	2,217,582	8,187,130	345,380	10,750,092
Charge for the year	509,594	2,240,768	83,031	2,833,393
Written back on disposal	(3,281)	(13,300)	(16,284)	(32,865)
At 31 December 2007	2,723,895	10,414,598	412,127	13,550,620
At 1 January 2008	2,723,895	10,414,598	412,127	13,550,620
Charge for the year	620,606	2,898,973	106,359	3,625,938
Written back on disposal	(96,665)	(620,134)	(36,984)	(753,783)
At 31 December 2008	3,247,836	12,693,437	481,502	16,422,775
Net book value:				
At 31 December 2008	15,252,755	44,998,265	625,253	60,876,273
At 31 December 2007	12,461,443	39,449,778	523,591	52,434,812

15 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Company

	Buildings	Generators and related machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2007	6,068,269	16,997,344	520,175	23,585,788
Additions	3,170	3,526	20,976	27,672
Transferred from construction in progress *(note 16)*	308,770	2,484,599	48,474	2,841,843
Transferred to a subsidiary	(1,349,123)	(5,266,193)	(66,222)	(6,681,538)
Disposals	(2,087)	(12,344)	(11,730)	(26,161)
At 31 December 2007	5,028,999	14,206,932	511,673	19,747,604
At 1 January 2008	5,028,999	14,206,932	511,673	19,747,604
Additions	—	1,797	14,957	16,754
Transferred from construction in progress *(note 16)*	43,166	245,595	16,576	305,337
Transferred to a subsidiary	—	—	(3,179)	(3,179)
Disposals	(18,545)	(360,093)	(25,045)	(403,683)
At 31 December 2008	5,053,620	14,094,231	514,982	19,662,833

15 PROPERTY, PLANT AND EQUIPMENT (continued)

(b) The Company (continued)

	Buildings	Generators and related machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accumulated depreciation:				
At 1 January 2007	1,762,174	6,777,329	245,430	8,784,933
Charge for the year	234,557	992,085	47,606	1,274,248
Transferred to a subsidiary	(37,025)	(167,321)	(6,502)	(210,848)
Written back on disposal	(796)	(10,151)	(10,935)	(21,882)
At 31 December 2007	1,958,910	7,591,942	275,599	9,826,451
At 1 January 2008	1,958,910	7,591,942	275,599	9,826,451
Charge for the year	193,985	752,509	31,952	978,446
Transferred to a subsidiary	—	—	(503)	(503)
Written back on disposal	(17,782)	(349,286)	(22,168)	(389,236)
At 31 December 2008	2,135,113	7,995,165	284,880	10,415,158
Net book value:				
At 31 December 2008	2,918,507	6,099,066	230,102	9,247,675
At 31 December 2007	3,070,089	6,614,990	236,074	9,921,153

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

16 CONSTRUCTION IN PROGRESS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Balance at 1 January	**6,062,608**	11,499,163	**981,756**	2,244,303
Through acquisition of subsidiaries *(note 34)*	**4,359,780**	794,033	**—**	—
Additions	**8,146,866**	12,934,449	**1,529,589**	2,025,221
Transferred to property, plant and equipment *(note 15)*	**(5,470,149)**	(19,165,037)	**(305,337)**	(2,841,843)
Transferred to subsidiaries	**—**	—	**(481,334)**	(445,925)
Balance at 31 December	**13,099,105**	6,062,608	**1,724,674**	981,756

17 LEASE PREPAYMENTS

Lease prepayments represent prepaid fees for land leases paid to the PRC's land bureau.

18 INTANGIBLE ASSETS

	The Group		
	Goodwill	Land use rights	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 January 2007, 31 December 2007 and 1 January 2008	44,431	—	44,431
Through acquisition of subsidiaries (note 34)	181,636	834,839	1,016,475
Balance at 31 December 2008	226,067	834,839	1,060,906

	The Company
	Goodwill
	RMB'000
Balance at 1 January 2007, 31 December 2007, 1 January 2008 and 31 December 2008	45,457

18 INTANGIBLE ASSETS (continued)

Intangible assets represent goodwill arose from business combinations and land use rights assigned by the PRC's land bureau with indefinite land use period. Useful lives of land use rights are indefinite and titles of these rights are not transferable.

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

19 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2008	2007
	RMB'000	*RMB'000*
Unlisted investments, at cost	**10,464,403**	7,532,488

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2008 are as follows:

Company	Paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
	RMB'000	%	%	%	
Sichuan Guangan Power Generation Company Limited ("Guangan Company")	1,785,860	80	80	—	Generation and sale of electricity
Huadian Qingdao Power Company Limited	700,000	55	55	—	Generation and sale of electricity and heat
Huadian Weifang Power Generation Company Limited ("Weifang Company")	1,250,000	45	45	—	Generation and sale of electricity

19 INVESTMENTS IN SUBSIDIARIES (continued)

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2008 are as follows: (continued)

		Proportion of ownership interest			
Company	Paid up capital	Group's effective interest	held by the Company	held by subsidiary	Principal activities
	RMB'000	%	%	%	
Huadian Zibo Power Company Limited	374,800	100	100	—	Generation and sale of electricity and heat
Huadian Zhangqiu Power Company Limited	750,000	87.5	87.5	—	Generation and sale of electricity and heat
Huadian Tengzhou Xinyuan Power Company Limited	474,142	89.23	89.23	—	Generation and sale of electricity and heat
Huadian Xinxiang Power Generation Company Limited	385,100	90	90	—	Generation and sale of electricity
Anhui Huadian Suzhou Power Generation Company Limited	534,038	97	97	—	Generation and sale of electricity
Huadian Ningxia Lingwu Power Generation Company Limited	600,000	65	65	—	Generation and sale of electricity
Sichuan Huadian Luding Hydropower Company Limited	266,090	100	100	—	Development of hydro power plant

19 INVESTMENTS IN SUBSIDIARIES (continued)

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2008 are as follows: (continued)

Company	Paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
	RMB'000	%	%	%	
Huadian International Shandong Materials Company Limited	50,000	100	100	—	Procurement of materials
Huadian Qingdao Heat Company Limited	30,000	55	55	—	Sale of heat
Huadian International Shandong Project Company Limited	3,000	100	100	—	Management of construction project
Huadian International Shandong Information Company Limited	3,000	100	100	—	Development and maintenance of information system to the Group
Huadian Zouxian Power Generation Company Limited	3,000,000	69	69	—	Generation and sale of electricity
Huadian Ningxia Ningdong Wind Power Company Limited	40,000	100	100	—	Generation and sale of electricity
Anhui Huadian Wuhu Power Company Limited ("Wuhu Company")	536,032	65	65	—	Generation and sale of electricity

19 INVESTMENTS IN SUBSIDIARIES (continued)

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2008 are as follows: (continued)

Company	Paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
	RMB'000	%	%	%	
Huadian Suzhou Biomass Engergy Power Company Limited	52,480	78	78	—	Generation and sale of electricity
Huadian Inner Mongolia Kailu Wind Power Company Limited *(Note (i))*	25,558	75	75	—	Development of wind power plant
Huadian Luohe Power Generation Company Limited *(Note (i))*	100,400	75	75	—	Development of coal-fired power plant
Tengzhou Xinyuan Heat Company Limited *(Note (i))*	15,000	62.48	—	70	Sale of heat
Hangzhou Huadian Banshan Power Generation Company Limited ("Banshan Company") *(note 34)*	480,762	64	64	—	Generation and sale of electricity
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Company") *(note 34)*	789,740	82	82	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Company") *(Note (ii))*	500,000	49.2	—	60	Development of coal-fired power plant

19 INVESTMENTS IN SUBSIDIARIES (continued)

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2008 are as follows: (continued)

Company	Paid up capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
	RMB'000	%	%	%	
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Company") *(Note (ii))*	75,000	41	—	50	Development of coal-fired power plant
Hebei Huadian Complex Pumping-storage Power Company Limited ("Hebei Company") *(note 34)*	10,000	100	100	—	Generation and sale of electricity
Sichuan Huadian Zagunao Hydroelectric Development Company Limited ("Zagunao Company") *(note 34)*	623,983	49	49	—	Generation and sale of electricity
Huadian Laizhou Wind Power Generation Company Limited *(Note (i))*	146,060	55	55	—	Generation and sale of electricity

Note:

(i) *These companies were newly set up in 2008.*

(ii) *These companies were acquired through the acquisition of Shijiazhuang Company in 2008 (note 34).*

20 INTERESTS IN ASSOCIATES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**1,766,826**	1,552,033
Share of net assets	**1,969,653**	1,700,821	**—**	—
	1,969,653	1,700,821	**1,766,826**	1,552,033
Less: impairment loss	**—**	—	**(288,721)**	—
	1,969,653	1,700,821	**1,478,105**	1,552,033

The particulars of associates, which are limited liability companies established and operating in the PRC, at 31 December 2008 are as follows:

		Proportion of ownership interest			
Company	Paid up capital	Group's effective interest	held by the Company	held by subsidiary	Principal activities
	RMB'000	%	%	%	
Ningxia Power Generation Company (Group) Limited ("Ningxia Power Company")	1,011,600	31.11	31.11	—	Generation and sales of electricity and investment holding
Anhui Chizhou Jiuhua Power Generation Company Limited	640,000	40	40	—	Generation and sales of electricity
Huadian Property Co. Ltd.	669,000	30	30	—	Property development
Sichuan Luzhou Chuannan Power Generation Company Limited	860,000	40	40	—	Generation and sales of electricity
Huadian Coal Industry Group Company Limited ("Huadian Coal")	1,560,000	21.24	20.19	1.28	Provision of coal procurement service
Zoucheng Lunan Electricity Power Technology Development Company Limited	4,333	40	40	—	Provision of service to Zouxian Power Plant

20 INTERESTS IN ASSOCIATES (continued)

The particulars of associates, which are limited liability companies established and operating in the PRC, at 31 December 2008 are as follows: (continued)

Company	Paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	held by the Company	held by subsidiary	
	RMB'000	%	%	%	
China Huadian Finance Corporation Limited ("China Huadian Finance")	1,390,000	23.50	20.46	4.75	Provision of corporate financial service to its group companies
China Huadian New Energy Development Company Limited ("Huadian New Energy")	634,026	20	20	—	Development of wind power plant
Huadian Jinshajiang Upstream Hydropower Development Co. Ltd. ("Jingshajiang Company") *(Note (i))*	30,000	20	20	—	Development of hydropower plant
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	133,250	36	—	45	Development of coal mines and sales of coal
Shijiazhuang Huadian Heat Company Limited *(Note (ii))*	207,370	40.18	—	49	Sale of heat

Notes:

(i) This Company was newly set up in 2008.

(ii) This Company was acquired through the acquisition of Shijiazhuang Company in 2008 (note 34).

20 INTERESTS IN ASSOCIATES (continued)

Summary financial information on associates

	Assets	Liabilities	Equity	Revenues	Profit/(loss)
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2008					
100 percent	42,763,527	(35,303,926)	7,459,601	8,879,278	(63,675)
Group's effective interest	10,821,070	(8,933,805)	1,887,265	2,505,061	(139,788)
2007					
100 percent	32,860,774	(26,390,855)	6,469,919	5,454,886	519,018
Group's effective interest	8,693,637	(6,992,816)	1,700,821	1,486,354	84,187

21 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**142,800**	142,800
Share of net assets	**221,817**	218,228	**—**	—
	221,817	218,228	**142,800**	142,800

The particulars of the jointly controlled entity, which is a limited liability company established and operating in the PRC, at 31 December 2008 are as follows:

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

21 INTEREST IN A JOINTLY CONTROLLED ENTITY (continued)

Summary financial information on the jointly controlled entity — Group's effective interest:

	2008	2007
	RMB'000	*RMB'000*
Non-current assets	**976,601**	959,352
Current assets	**77,501**	60,885
Non-current liabilities	**(716,168)**	(741,746)
Current liabilities	**(116,117)**	(60,263)
Net assets	**221,817**	218,228
Revenue	**380,801**	389,877
Expenses	**(353,592)**	(344,196)
Profit for the year	**27,209**	45,681

22 OTHER INVESTMENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity securities, at cost	**501,253**	145,539	**455,309**	140,539

23 INVENTORIES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Coal and stalk	**1,361,016**	360,295	**223,147**	35,384
Fuel oil	**70,070**	50,351	**24,840**	16,417
Materials, components and spare parts	**351,074**	239,134	**149,812**	143,482
	1,782,160	649,780	**397,799**	195,283

24 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade debtors and bills receivable for the sale of electricity	**1,868,395**	1,931,327	**—**	56,283
Trade debtors and bills receivable for the sale of heat	**128,404**	49,054	**1,645**	1,102
Trade debtors and bills receivable for other operations	**5,132**	5,021	**4,749**	5,021
	2,001,931	1,985,402	**6,394**	62,406
Less: allowance for doubtful debts	**(32,633)**	(23,091)	**—**	—
	1,969,298	1,962,311	**6,394**	62,406

(a) Ageing analysis

The ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts) is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current	**1,957,103**	1,926,609	**6,394**	62,406
Less than 1 year past due	**3,679**	12,611	**—**	—
1 to 2 years past due	**383**	506	**—**	—
2 to 3 years past due	**—**	6,682	**—**	—
More than 3 years past due	**8,133**	15,903	**—**	—
Amount past due	**12,195**	35,702	**—**	—
	1,969,298	1,962,311	**6,394**	62,406

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.

24 TRADE DEBTORS AND BILLS RECEIVABLE (continued)

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 2(k)(i)).

The movement in allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**23,091**	18,677	**—**	—
Impairment loss recognised	**9,542**	4,414	**—**	—
At 31 December	**32,633**	23,091	**—**	—

At 31 December 2008, the Group's trade debtors and bills receivable totalling of RMB40,766,000 (2007: RMB46,182,000) were individually determined to be impaired. None of the Company's trade debtors and bills receivable were individually determined to be impaired. Management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB32,633,000 (2007: RMB23,091,000) was recognised. The Group does not hold any collateral over these balances.

(c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**1,957,103**	1,926,609	**6,394**	62,406
Less than 1 year past due	**3,679**	12,611	**—**	—
1 to 2 years past due	**383**	—	**—**	—
	4,062	12,611	**—**	—
	1,961,165	1,939,220	**6,394**	62,406

Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of customers that have a good track record with the Group. The Group does not hold any collateral over these balances.

25 RESTRICTED DEPOSITS

Restricted deposits represent cash pledged as collateral for bills payable.

26 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**677,394**	1,367,622	**474,026**	1,076,838
Cash at other financial institutions	**959,043**	—	**305,637**	—
Deposits with banks and other financial institutions	**232,868**	5,667	**625**	1,035
	1,869,305	1,373,289	**780,288**	1,077,873

27 LOANS

(a) Bank loans

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within 1 year				
— short term bank loans	**9,936,684**	7,904,192	**4,217,684**	1,856,972
— current portion of long term bank loans	**4,313,037**	1,456,515	**803,460**	207,464
	14,249,721	9,360,707	**5,021,144**	2,064,436
After 1 year but within 2 years	**5,412,235**	3,372,761	**630,000**	730,460
After 2 years but within 5 years	**10,429,290**	5,908,608	**340,000**	—
After 5 years	**20,220,286**	11,338,759	**—**	—
	36,061,811	20,620,128	**970,000**	730,460
	50,311,532	29,980,835	**5,991,144**	2,794,896

27 LOANS (continued)

(a) Bank loans (continued)

All of the bank loans are unsecured, except for amounts totalling RMB14,421,000,000 (2007: RMB6,886,000,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity and trade debtors for the sale of electricity of these subsidiaries. None of the bank loans contain financial covenants.

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

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Renminbi loans		
Floating interest rates mainly ranging from 4.54% to 7.83% per annum as at 31 December 2008 (2007: 5.18% to 7.38%), with maturities up to 2028	**44,447,009**	22,542,845
Fixed interest rates mainly ranging from 3.60% to 7.47% per annum as at 31 December 2008 (2007: 3.60% to 6.72%), with maturities up to 2011	**4,520,000**	6,073,757
US dollar loans		
Floating interest rates mainly ranging from 3.26% to 6.32% per annum as at 31 December 2008 (2007: 5.63% to 6.14%) with maturities up to 2017	**727,722**	1,364,233
Fixed interest rates mainly ranging from 5.13% to 7.76% per annum as at 31 December 2008 with maturities up to 2009	**445,200**	—
EUR loans		
Fixed interest rate of 2.25% per annum as at 31 December 2008 with maturity up to 2022	**171,601**	—
	50,311,532	29,980,835

27 LOANS (continued)

(a) Bank loans (continued)

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

	The Company	
	2008	2007
	RMB'000	*RMB'000*
Renminbi loans		
Floating interest rates mainly ranging from 4.54% to 6.80% per annum as at 31 December 2008 (2007: 5.18% to 6.48%), with maturities up to 2011	**4,176,484**	786,000
Fixed interest rates mainly ranging from 4.78% to 5.02% per annum as at 31 December 2008, (2007: 4.86% to 5.11%), with maturities up to 2009	**686,000**	695,157
US dollar loans		
Floating interest rates mainly ranging from 3.26% to 3.99% per annum as at 31 December 2008 (2007: 5.63% to 6.14%) with maturities up to 2009	**683,460**	1,313,739
Fixed interest rates mainly ranging from 5.13% to 7.76% per annum as at 31 December 2008, with maturities up to 2009	**445,200**	—
	5,991,144	2,794,896

The Group and the Company have US dollar bank loans amounting to US$171,616,000 (2007: US$186,764,000) and US$165,139,000 (2007: US$179,851,000) respectively. The Group has EUR bank loan amounting to EUR17,766,000 (2007: EUR Nil).

27 LOANS (continued)

(b) Loans from shareholders

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within 1 year — short term shareholder loans	**660,000**	—	**500,000**	—
After 1 year but within 2 years	**570,603**	—	**335,000**	—
After 2 years but within 5 years	**290,925**	585,000	**286,878**	585,000
After 5 years	**1,090,000**	650,000	**—**	—
	1,951,528	1,235,000	**621,878**	585,000
	2,611,528	1,235,000	**1,121,878**	585,000

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

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Loans from Shandong International Trust Corporation ("SITC")		
Floating interest rates ranging from 5.35% to 5.94% per annum as at 31 December 2008 (2007: 5.27% to 5.83%) with maturities up to 2011	**585,000**	585,000
Fixed interest rate of 7.30% per annum as at 31 December 2008, with maturity up to 2010	**235,603**	—
Loans from China Huadian		
Fixed interest rates ranging from 4.15% to 7.23% per annum as at 31 December 2008 (2007: 4.15% to 4.98%) with maturities up to 2021	**1,790,925**	650,000
	2,611,528	1,235,000

27 LOANS (continued)

(b) Loans from shareholders (continued)

	The Company	
	2008	2007
	RMB'000	*RMB'000*
Loans from SITC		
Floating interest rates ranging from 5.35% to 5.94% per annum as at 31 December 2008 (2007: 5.27% to 5.83%) with maturities up to 2011	**585,000**	585,000
Loans from China Huadian		
Fixed interest rates ranging from 5.18% to 7.23% per annum as at 31 December 2008 with maturities up to 2013	**536,878**	—
	1,121,878	585,000

Note: Except for certain loans from China Huadian, totalling RMB40,925,000, which are non-interest bearing, all loans from SITC and China Huadian are unsecured, interest bearing based on their respective costs of funds and with repayment terms disclosed above.

(c) State loans

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within 1 year — current portion of long term state loans	**10,192**	10,095	**10,192**	10,095
After 1 year but within 2 years	**12,904**	10,893	**12,013**	10,893
After 2 years but within 5 years	**23,868**	36,239	**21,196**	34,194
After 5 years	**13,363**	13,600	**7,126**	8,145
	50,135	60,732	**40,335**	53,232
	60,327	70,827	**50,527**	63,327

27 LOANS (continued)

(c) State loans (continued)

The state loans represent an US dollar state loan amounting to US$5,754,000 (2007: US$7,136,000), which is guaranteed by Shandong Electric Power (Group) Corporation ("SEPCO") and bears a floating interest rate of 3.26% per annum (2007: 5.55%), with maturity up to 2012, and RMB loans amounting to RMB21,000,000 (2007: RMB18,700,000), which are unsecured and bear a fixed interest rate ranging from 2.55% to 2.82% per annum (2007: 2.55%), with maturity up to 2020.

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

The RMB state loans represents loans of RMB13,500,000 obtained from Ministry of Finance of the PRC in 2006 and a loan of RMB7,500,000 obtained from Ministry of Finance of Weifang Municipal Government in 2005.

(d) Other loans

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within 1 year				
— short term other loans	**1,409,450**	1,620,000	**550,000**	50,000
— current portion of long term other loans	**354,212**	253,362	**—**	—
	1,763,662	1,873,362	**550,000**	50,000
After 1 year but within 2 years	**298,592**	222,904	**—**	—
After 2 years but within 5 years	**1,540,860**	244,671	**200,000**	—
After 5 years	**467,117**	168,065	**—**	—
	2,306,569	635,640	**200,000**	—
	4,070,231	2,509,002	**750,000**	50,000

27 LOANS (continued)

(d) Other loans (continued)

All of the other loans are unsecured except for amounts totalling RMB480,150,000 (2007: RMB84,000,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity of these subsidiaries. All of the other loans are denominated in RMB, except for an US dollar loan of the Group amounting to US$3,462,600 (2007: US$5,770,000). Details of the interest rates and maturity dates of other loans are as follows:

	The Group	
	2008	2007
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 4.78% to 7.56% per annum as at 31 December 2008 (2007: 5.91% to 7.05%) with maturities up to 2025	**2,788,696**	766,012
Fixed interest rates ranging from 7.10% to 7.47% per annum as at 31 December 2008 (2007: 5.75% to 6.56%) with maturities up to 2009	**600,000**	1,090,000
Others		
Floating interest rates ranging from 5.31% to 6.80% per annum as at 31 December 2008 (2007: 5.67% to 7.85%) with maturities up to 2010	**72,085**	190,569
Fixed interest rates ranging from 6.92% to 7.32% per annum as at 31 December 2008 (2007: 5.70% to 6.56%) with maturities up to 2009	**609,450**	462,421
	4,070,231	2,509,002

27 LOANS (continued)

(d) Other loans (continued)

	The Company	
	2008	2007
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 4.78% to 4.86% per annum as at 31 December 2008 with maturities up to 2011	**400,000**	—
Others		
Fixed interest rates ranging from 6.72% to 6.92% per annum as at 31 December 2008 (2007: 5.91%) with maturities up to 2009	**350,000**	50,000
	750,000	50,000

(e) 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. The short-term debentures of RMB1,000,000,000 were repaid on 16 December 2008.

28 TRADE CREDITORS AND BILLS PAYABLES

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

29 DEFERRED TAX ASSETS AND LIABILITIES

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

The Group:

	Assets		Liabilities		Net	
	2008	2007	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Pre-operating expenses	**24,284**	18,249	**—**	—	**24,284**	18,249
Provision for inventories and receivables	**24,883**	23,841	**—**	—	**24,883**	23,841
Depreciation of property, plant and equipment	**—**	—	**(684,463)**	(545,110)	**(684,463)**	(545,110)
Fair value adjustment on property, plant and equipment, construction in progress and equity investment	**59,618**	62,070	**(360,225)**	(220,674)	**(300,607)**	(158,604)
Expenses to be claimed on paid basis	**24,432**	16,767	**—**	—	**24,432**	16,767
Capitalisation of general borrowing costs	**—**	—	**(24,331)**	(25,562)	**(24,331)**	(25,562)
Tax losses	**261,416**	4,205	**—**	—	**261,416**	4,205
Unrealised exchange gain	**—**	—	**(29,868)**	—	**(29,868)**	—
Others	**2,303**	511	**—**	—	**2,303**	511
	396,936	125,643	**(1,098,887)**	(791,346)	**(701,951)**	(665,703)
Set-off within legal tax units and jurisdictions	**(161,093)**	(49,459)	**161,093**	49,459	**—**	—
Net deferred tax assets/ (liabilities)	**235,843**	76,184	**(937,794)**	(741,887)	**(701,951)**	(665,703)

The Company:

	2008	2007
	RMB'000	*RMB'000*
Provision for inventories and receivables	**14,250**	14,203
Fair value adjustment on equity investment	**(62,280)**	(62,280)
Expenses to be claimed on paid basis	**7,023**	7,023
Tax losses	**28,700**	—
Unrealised exchange gain	**(28,700)**	—
Net deferred tax liabilities	**(41,007)**	(41,054)

29 DEFERRED TAX ASSETS AND LIABILITIES (continued)

Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(x), the Group and the Company have not recognised deferred tax assets in respect of cumulative tax losses of RMB2,810,589,000 (2007: RMB Nil) and RMB507,893,000 (2007: RMB Nil) respectively. The tax losses will expire in 2013 under current tax legislation.

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

The Group:

	Balance at 1 January 2007	Through acquisition of subsidiaries	Credited/ (charged) to income statement	Balance at 31 December 2007	Balance at 1 January 2008	Through acquisition of subsidiaries	Credited/ (charged) to income statement	Balance at 31 December 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Pre-operating expenses	21,302	3,087	(6,140)	18,249	18,249	—	6,035	24,284
Provision for inventories and receivables	28,608	—	(4,767)	23,841	23,841	—	1,042	24,883
Depreciation of property, plant and equipment	(566,804)	—	21,694	(545,110)	(545,110)	(13,191)	(126,162)	(684,463)
Fair value adjustment on property, plant and equipment, construction in progress and equity investment	(211,796)	(7,671)	60,863	(158,604)	(158,604)	(151,026)	9,023	(300,607)
Expenses to be claimed on paid basis	78,016	—	(61,249)	16,767	16,767	10,272	(2,607)	24,432
Capitalisation of general borrowing costs	(75,716)	—	50,154	(25,562)	(25,562)	—	1,231	(24,331)
Tax losses	—	—	4,205	4,205	4,205	—	257,211	261,416
Unrealised exchange gain	—	—	—	—	—	—	(29,868)	(29,868)
Others	1,827	—	(1,316)	511	511	555	1,237	2,303
	(724,563)	(4,584)	63,444	(665,703)	(665,703)	(153,390)	117,142	(701,951)
			(note 11(a))			*(note 34)*	*(note 11(a))*	

29 DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

The Company:

	Balance at 1 January 2007	Credited/ (charged) to income statement	Balance at 31 December 2007	Balance at 1 January 2008	Credited/ (charged) to income statement	Balance at 31 December 2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Pre-operating expenses	3,824	(3,824)	—	—	—	—
Provision for inventories and receivables	20,291	(6,088)	14,203	14,203	47	14,250
Fair value adjustment on equity investment	—	(62,280)	(62,280)	(62,280)	—	(62,280)
Expenses to be claimed on paid basis	58,137	(51,114)	7,023	7,023	—	7,023
Capitalisation of general borrowing costs	(47,415)	47,415	—	—	—	—
Tax losses	—	—	—	—	28,700	28,700
Unrealised exchange gain	—	—	—	—	(28,700)	(28,700)
Others	206	(206)	—	—	—	—
	35,043	(76,097)	(41,054)	(41,054)	47	(41,007)

30 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.

The upfront connection and installation fee recognised for the year amounting to RMB3,966,000 (2007: RMB298,000) is included in "other net income" in the consolidated income statement.

31 SHARE CAPITAL AND RESERVES

(a) Share capital

The registered, issued and fully paid capital of the Company comprises 4,590,056,200 A shares of RMB1 each and 1,431,028,000 H shares of RMB1 each (2007: 4,590,056,200 A shares of RMB1 each and 1,431,028,000 H shares of RMB1 each). All shares rank pari passu in all material respects.

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

Pursuant to a notice issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented a share reform (the "Share Reform") on 28 July 2006. All holders of non-circulating shares transferred 3 shares for every 10 shares held by the registered holders of circulating A shares as at the book closing date of the implementation of the Share Reform (i.e. 28 July 2006), totalling 170,700,000 domestic shares. Effective from 1 August 2006, all domestic shares of the Company became eligible for listing and circulation on the Shanghai Stock Exchange. However, the 3,850,356,200 original domestic shares held by the original domestic shareholders were subject to a period of restriction for disposal imposed ranging from 1 to 3 years. As at 31 December 2008, 3,148,103,094 original domestic shares were still subject to restriction of disposal.

(b) Nature and purposes of reserves

(i) Capital reserve

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

(ii) Statutory surplus reserves

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

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. The Directors resolved not to make any appropriation (2007: resolved to transfer 10% of the profit for the year ended 31 December 2007) to this reserve on 8 April 2009.

31 SHARE CAPITAL AND RESERVES (continued)

(b) Nature and purposes of reserves (continued)

(iii) Revaluation reserve

Revaluation reserve represents the fair value adjustment of acquisition of Weifang Company relating to previously held interest of the Group.

(iv) Fair value reserve

The fair value reserve comprises the Group's share of the cumulative net change in the fair value of available-for-sale securities held by an associate at the balance sheet date and is dealt with in accordance with the accounting policies in notes 2(f) and 2(k).

(c) Distributability of reserves

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2008, the retained profits available for distribution were RMB2,317,058,000 (2007: RMB2,933,381,000, after taking into account the proposed final dividend (see note 13) and the transfer to the statutory surplus reserve according to the Company's Articles of Association).

(d) Capital management

The Group's capital management objectives are:

— to ensure the Group's ability to continue as a going concern;

— to provide an adequate return to shareholders; and

— to maintain an optimal capital structure to reduce cost of capital.

In order to maintain and improve the capital structure, the Group may, for the purpose of business expansion, issue new shares to reduce its liabilities to assets ratio.

The Group monitors its capital structure on the basis of liabilities to assets ratio. This ratio is calculated as total liabilities divided by total assets.

The liabilities to assets ratio as at 31 December 2008 and 2007 was as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Total liabilities	**69,480,647**	47,810,738	**13,768,704**	9,392,477
Total assets	**85,417,427**	65,953,420	**25,487,978**	22,090,777
Liabilities to assets ratio	**81%**	72%	**54%**	43%

32 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with shareholders, fellow subsidiaries and associates

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

Name of related parties	Nature of relationship
China Huadian	A shareholder of the Company
SITC	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	An associate of the Group
Huadian New Energy	An associate of the Group
CHD Power Plant Operation Company Limited ("CHD Operation")	A fellow subsidiary of the Company
Longtan Coal Company	An associate of the Group
Ningxia Power Company	An associate of the Group

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the year ended 31 December 2007 and 2008:

		2008	2007
	Note	***RMB'000***	*RMB'000*
Construction costs and equipment costs paid and payable to fellow subsidiaries	(i)	**233,930**	273,893
Interest expenses paid to shareholders	(ii)	**138,470**	65,939
Interest expenses paid to associates	(ii)	**184,888**	121,372
Interest expenses paid to a fellow subsidiary	(ii)	**1,974**	27
Loans obtained from shareholders	(ii)	**1,076,528**	—
Loans obtained from associates	(ii)	**2,203,750**	1,780,975
Loan obtained from a fellow subsidiary	(ii)	**—**	30,000
Loans repaid to shareholders	(ii)	**200,000**	51,000
Loans repaid to associates	(ii)	**2,119,237**	1,400,000
Loan repaid to a fellow subsidiary	(ii)	**30,000**	—
Service fee paid to an associate	(iii)	**59,777**	36,000

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with shareholders, fellow subsidiaries and associates (continued)

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

	Note	2008 RMB'000	2007 RMB'000
Prepaid construction and equipment costs to fellow subsidiaries	(i)	**136,240**	128,273
Construction and equipment costs payable to fellow subsidiaries	(i)	**(14,482)**	(45,351)
Loans from shareholders	(ii)	**(2,611,528)**	(1,235,000)
Loans from associates	(ii)	**(3,388,695)**	(2,356,012)
Loan from a fellow subsidiary	(ii)	**—**	(30,000)
Deposits with an associate	(iv)	**1,196,566**	—

Notes:

(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 27.

(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. The service fee, which was determined by reference to the prevailing market rates for similar services and volume, shall not be more than RMB3 per tonne of coal purchased.

(iv) The amount represented saving accounts and fixed deposits with China Huadian Finance, a non-bank financial institution in PRC, which bears interest ranging from 0.36% to 3.33% per annum.

(v) On 26 September 2006, the Company entered into an investment agreement with China Huadian to acquire 95% equity interests in Wuhu Company 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.

(vi) 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.

(vii) In September 2007, the Company, China Huadian and its certain subsidiaries and related parties established Huadian New Energy. The Company contributed RMB40,000,000 for the 20% equity interests in Huadian New Energy.

(viii) On 13 February 2008, the Company entered into an equity transfer agreement with China Huadian to acquire its equity interests in certain entities from China Huadian and paid investment deposit according to the equity transfer agreement. The acquisition was completed in 2008. Details have been set out in note 34.

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with shareholders, fellow subsidiaries and associates (continued)

Notes: (continued)

(ix) On January 2008, the Company, Banshan Company and China Huadian and its certain subsidiaries entered into the Capital Increase Agreement to increase the capital of China Huadian Finance. Pursuant to the Capital Increase Agreement, the Company and Banshan Company agreed to contribute cash of RMB149,188,000 and RMB39,562,000 respectively to Chian Huadian Finance. The capital injection completed in November 2008, the Company's and Banshan Company's equity interest in China Huadian Finance increased from 15% to 20.4% and 3.125% to 4.75% respectively.

(x) In November 2008, the Company, China Huadian and its subsidiary established Jinshajiang Company. The Company contributed RMB6,000,000 for 20% equity interest in Jinshajiang Company.

(xi) At 31 December 2008, Guangan Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB152,957,000 (2007: RMB110,000,000).

(xii) At 31 December 2008, Zhongning Company, the jointly controlled entity of the Group, provided guarantees to bank for loans granted to Ningxia Power Company amounting to RMB36,174,000 (2007: RMB42,500,000).

(xiii) At 31 December 2008, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB351,600,000 (2007: RMB220,000,000).

(b) Transactions with key management personnel

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

	2008	2007
	RMB'000	*RMB'000*
Salaries and other emoluments	**2,684**	2,267
Retirement benefits	**456**	539
Bonuses	**2,885**	3,989
	6,025	6,795

Total remuneration is included in "personnel costs" (see note 5).

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 31 December 2008, there was no material outstanding contribution to post-employment benefit plans.

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

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

Apart from transactions mentioned in notes 32(a), (b) and (c), the Group has transactions with other state-controlled entities included but not limited to the following:

— sales of electricity;

— depositing and borrowing money; and

— purchase of construction materials and receiving construction work services

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

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

	2008	2007
	RMB'000	*RMB'000*
Sale of electricity to the grid	**29,275,040**	20,008,797
Interest expenses	**1,979,587**	1,275,279
Purchase of construction materials and receiving construction work service	**7,366,769**	12,077,007

32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

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

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

	2008	2007
	RMB'000	*RMB'000*
Receivables from sale of electricity	**1,868,395**	1,931,327
Loans payables	**(38,686,055)**	(23,240,767)
Cash at bank	**534,380**	1,239,188
Prepayments	**4,743,941**	1,512,190
Trade and other payables	**(5,667,877)**	(5,109,455)

33 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at a rate of 20% (2007: 20%) of the total staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group and its staff participate in a retirement plan managed by China Huadian to supplement the abovementioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB198,979,000 during the year (2007: RMB185,956,000) which was charged to the consolidated income statement.

34 ACQUISITION OF SUBSIDIARIES

On 1 July 2008, the company completed the acquisition of 64% equity interest in Banshan Company, 100% equity interest in Hebei Company, 82% equity interest in Shijiazhuang Company and 49% equity interest in Zagunao Company for a total consideration of RMB1,963,375,000 which comprises RMB1,946,496,000 being the consideration payable to China Huadian and RMB16,879,000 being all the related expenses directly incurred by the Company in relation to the acquisition.

34 ACQUISITION OF SUBSIDIARIES (continued)

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisitions
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	6,480,943	79,992	6,560,935
Construction in progress	4,351,229	8,551	4,359,780
Lease prepayment	7,300	(636)	6,664
Intangible assets	352,440	482,399	834,839
Interests in associates and other investments	167,858	51,381	219,239
Inventories	100,231	—	100,231
Trade debtors and bills receivable	352,847	—	352,847
Deposits, other receivables and prepayments	182,563	—	182,563
Cash and cash equivalents	725,401	—	725,401
Trade payables	(651,181)	—	(651,181)
Other payables	(423,763)	—	(423,763)
Loans	(9,494,051)	—	(9,494,051)
Deferred government grants	(4,500)	—	(4,500)
Deferred tax assets/(liabilities)	2,032	(155,422)	(153,390)
Net identifiable assets and liabilities	2,149,349	466,265	2,615,614
Less: Minority interests			(833,875)
Add: Goodwill			181,636
Consideration			1,963,375
Less: Cash and cash equivalents acquired			(725,401)
Amounts due to holding company			(902,042)
Net cash outflow for the year			335,932

The amounts due to holding company represented deferred payment of consideration which bear interest at 4.78% per annum, is secured by the Company's equity interest in Banshan Company, Hebei Company, Shijiazhuang Company and Zagunao Company and are repayable by 30 April 2009.

The acquisitions contributed turnover amounting to RMB1,878,029,000 and loss after tax amounting to RMB118,882,000 for the year ended 31 December 2008.

35 COMMITMENTS

(a) Capital commitments

The Group and the Company had capital commitments outstanding at 31 December not provided for in the financial statements as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for				
— Development of power plants	**18,224,867**	13,494,791	**2,621,631**	4,772,566
— Investments	**313,595**	113,200	**2,668,090**	2,040,465
— Improvement projects and others	**443,792**	180,413	**276,053**	52,873
	18,982,254	13,788,404	**5,565,774**	6,865,904
Authorised but not contracted for				
— Development of power plants	**7,609,763**	4,131,231	**628,463**	76,044
— Improvement projects and others	**431,899**	373,362	**209,896**	90,006
	8,041,662	4,504,593	**838,359**	166,050
	27,023,916	18,292,997	**6,404,133**	7,031,954

At 31 December 2008, the Group did not have any proportionate share of the jointly controlled entity's capital expenditure commitments (2007: RMB Nil).

35 COMMITMENTS (continued)

(b) Operating lease commitments

At 31 December 2008, the total future minimum lease payments under non-cancellable operating leases in respect of land and buildings are payable as follows:

	The Group and the Company	
	2008	2007
	RMB'000	*RMB'000*
Within 1 year	**30,876**	31,652
After 1 year but within 5 years	**119,348**	120,712
After 5 years	**407,772**	445,126
	557,996	597,490

Pursuant to an agreement entered into with the State, the Company is leasing certain land from the State for a term of 30 years with effect from 1 September 1997. The 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 future minimum lease payments in respect of the land are calculated based on the latest agreed annual rental of RMB30,178,000.

36 CONTINGENT LIABILITIES

A coal supplier of Guangan Company commenced legal proceedings against Guangan Company for price of coal purchased. The litigation is in progress. Based on the circumstances, the directors considered that the outcome of such litigation will not result in significant adverse effect on the financial position and operating results of the Group.

At 31 December 2008, apart from guarantees provided by the Group as disclosed in note 32(a), the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB405,320,000 (2007: RMB355,666,000).

37 FINANCIAL INSTRUMENTS

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

(a) Interest rate risk

The interest rates and terms of repayment of the outstanding loans of the Group and the Company are disclosed in note 27. At 31 December 2008, fixed rate borrowings comprise 17% and 44% of total borrowings of the Group and the Company respectively (2007: 21% and 20%).

37 FINANCIAL INSTRUMENTS (continued)

(a) Interest rate risk (continued)

Sensitivity analysis

At 31 December 2008, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would increase the Group's loss after tax and decrease total equity by approximately RMB360,904,000 (2007: decrease the Group's profit after tax and total equity by approximately RMB173,228,000).

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 both derivative and non-derivative financial instruments in existence at that date. The 100 basis points increase or decrease 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.

(b) Credit risk

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

The provincial grid companies are the purchasers of electricity supplied by the Group. The details of sale and receivables from sale of electricity are as follows:

	2008	2007
	RMB'000	*RMB'000*
Sale of electricity to:		
SEPCO	**20,651,061**	16,210,210
Sichuan Electric Power Corporation	**1,856,199**	2,140,814
Ningxia Electric Power Company	**1,503,812**	667,174
Henan Electric Power Company	**1,481,184**	660,915
East China Grid Company Limited	**1,969,671**	329,684
Anhui Electric Power Company	**185,019**	—
Zhejiang Electric Power Company	**1,232,673**	—
Hebei Electric Power Company	**395,421**	—
Receivables from sale of electricity:		
SEPCO	**735,087**	812,072
Sichuan Electric Power Corporation	**441,103**	472,647
Ningxia Electric Power Company	**90,898**	134,130
Henan Electric Power Company	**194,122**	360,337
East China Grid Company Limited	**200,111**	152,142
Anhui Electric Power Company	**53,174**	—
Zhejiang Electric Power Company	**67,368**	—
Hebei Electric Power Company	**86,532**	—

37 FINANCIAL INSTRUMENTS (continued)

(b) Credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Group's credit policy is set out in note 24(a).

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

(c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements 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 following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2008						2007					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term debentures	**2,605,798**	**2,638,142**	**2,638,142**	**—**	**—**	**—**	3,985,759	4,000,000	4,000,000	—	—	—
Bank loans	**50,311,532**	**63,118,573**	**16,812,639**	**7,069,715**	**13,570,643**	**25,665,576**	29,980,835	38,545,892	10,848,395	4,555,182	8,429,120	14,713,195
Loans from shareholders	**2,611,528**	**3,000,606**	**741,630**	**305,313**	**524,138**	**1,429,525**	1,235,000	1,606,875	64,826	64,736	723,602	753,711
State loans	**60,327**	**81,852**	**11,780**	**22,824**	**30,782**	**16,466**	70,827	82,194	13,345	13,560	40,151	15,138
Other loans	**4,070,231**	**4,381,820**	**1,850,307**	**352,157**	**1,595,555**	**583,801**	2,509,002	2,746,858	1,960,991	261,305	290,573	233,989
Trade creditors and bills payable	**5,118,511**	**5,118,511**	**5,118,511**	**—**	**—**	**—**	6,486,646	6,486,646	6,486,646	—	—	—
Amount due to holding company	**964,096**	**1,011,218**	**1,011,218**	**—**	**—**	**—**	16,080	16,080	16,080	—	—	—
Other payables	**2,369,629**	**2,369,629**	**2,369,629**	**—**	**—**	**—**	2,380,865	2,380,865	2,380,865	—	—	—
	68,111,652	**81,720,351**	**30,553,856**	**7,750,009**	**15,721,118**	**27,695,368**	46,665,014	55,865,410	25,771,148	4,894,783	9,483,446	15,716,033

37 FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

The Company

	2008						2007					
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term debentures	2,605,798	2,638,142	2,638,142	—	—	—	3,985,759	4,000,000	4,000,000	–	–	–
Bank loans	5,991,144	6,253,941	5,220,381	676,118	357,442	—	2,794,896	2,888,148	2,144,751	743,397	–	–
Loans from shareholders	1,121,878	1,202,373	539,069	28,051	385,253	250,000	585,000	694,945	33,182	33,092	628,671	–
State loans	50,527	69,898	11,780	21,933	28,110	8,075	63,327	73,190	13,151	13,366	37,593	9,080
Other loans	750,000	803,207	581,749	13,789	207,669	—	50,000	51,478	51,478	–	–	–
Trade creditors and bills payable	1,486,181	1,486,181	1,486,181	—	—	—	1,021,375	1,021,375	1,021,375	–	–	–
Amount due to holding company	958,996	1,006,118	1,006,118	—	—	—	8,675	8,675	8,675	–	–	–
Amount due to subsidiaries	421,632	421,632	421,632	—	—	—	369,857	369,857	369,857	–	–	–
Other payables	250,453	250,453	250,453	—	—	—	285,427	285,427	285,427	–	–	–
	13,636,609	14,131,945	12,155,505	739,891	978,474	258,075	9,164,316	9,393,095	7,927,896	789,855	666,264	9,080

(d) Currency risk

(i) Recognised assets and liabilities

The Group is exposed to currency risk arising from borrowings which are denominated in US dollars and Euro. Depreciation or appreciation of US dollars and Euro against Renminbi would affect the financial position and operating results of the Group.

37 FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2008		2007	
	United States Dollars	**Euro**	United States Dollars	Euro
	'000	***'000***	*'000*	*'000*
Cash and cash equivalents	**7**	**—**	6	—
Bank loans	**(171,615)**	**—**	(186,764)	—
State loans	**(5,754)**	**(17,766)**	(7,136)	—
Other loans	**(3,463)**	**—**	(5,770)	—
Net exposure arising from recognised assets and liabilities	**(180,825)**	**(17,766)**	(199,664)	—

The Company

	2008		2007	
	United States Dollars	**Euro**	United States Dollars	Euro
	'000	***'000***	*'000*	*'000*
Cash and cash equivalents	**6**	**—**	6	—
Bank loans	**(165,139)**	**—**	(179,851)	—
State loans	**(5,754)**	**—**	(7,136)	—
Net exposure arising from recognised assets and liabilities	**(170,887)**	**—**	(186,981)	—

37 FINANCIAL INSTRUMENTS (continued)

(d) Currency risk (continued)

(iii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date.

The Group

	2008			2007		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *RMB'000*	Effect on consolidated equity *RMB'000*	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits *RMB'000*	Effect on consolidated equity *RMB'000*
United States Dollars	(10%)	92,694	92,694	(9%)	87,445	87,445
Euro	(10%)	12,870	12,870	—	—	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 31 December 2008 and 2007.

(f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments set out in note 37(e) above.

37 FINANCIAL INSTRUMENTS (continued)

(f) Estimation of fair values (continued)

(i) Securities

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

(ii) Long-term loans and borrowings

The fair values of long-term loans and borrowings are estimated as the present value of future cash flows, discounted at current market interest rates offered to the Group and the Company for borrowings with substantially the same characteristics and maturities.

(iii) Other financial instruments

The fair values of all other financial instruments approximate their carrying amounts due to the nature or short-term maturity of these instruments.

38 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment for non-current assets

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

38 ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Depreciation

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

(c) Impairment for bad and doubtful debts

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

(d) Deferred tax assets

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. The Group uses all readily available information which includes reasonable and supportable assumptions and projections of sales volume, tariff and relevant operating costs to estimate whether there will be sufficient available future taxable profits to utilise deductible temporary differences. Any significant change in estimates would result in adjustment in the amount of deferred tax assets and income tax in future years.

(e) Useful life of land use rights

Note 18 contains information relating to the indefinite life of the acquired land use rights which were assigned by the PRC's land bureau with indefinite land use period. Where the expectation is different from the original assumptions, such difference will impact carrying value of the intangible assets and amortisation and impairment loss on intangible assets charged to profit or loss in the period in which such assumptions have been changed.

39 NON-ADJUSTING POST BALANCE SHEET EVENTS

(i) On 29 December 2008, the Company entered into an purchase agreement to acquire 100% equity interest in Hebei Huarui Energy Group Corporation Limited ("Huarui Company") from its owners. The purchase consideration of RMB729,000,000 was determined with reference to an independent valuation of Huarui Company as at a basis date of 30 April 2008. The final consideration to be settled is, subject to adjustments for the operating results of Huarui Company between the basis date and the completion date and, not more than RMB810,000,000. Pursuant to relevant conditions in the agreement, the completion date was 1 January 2009 on which the Company acquired 100% equity interest in Huarui Company.

(Expressed in Renminbi)

39 NON-ADJUSTING POST BALANCE SHEET EVENTS (continued)

(ii) The Company held the 2008 second extraordinary general meeting of the Company on 29 December 2008, in which the issuance of medium-term notes or corporate debentures or the combination of them in a principal balance not exceeding RMB3,000,000,000 was approved. Accordingly, the Company issued the first and second tranches of medium-term notes for the year of 2009 on 17 March 2009 and 25 March 2009 respectively. The first tranche are 3-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each with a coupon rate of 3.38% per annum. The second tranche are 5-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each with a coupon rate of 3.96% per annum.

40 PARENT AND ULTIMATE HOLDING COMPANY

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

41 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2008

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2008 and which have not been adopted in these financial statements.

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 is unlikely to result in significant impact on the Group's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption:

	Effective for accounting periods beginning on or after
IFRS 8, Operating segments	1 January 2009
IAS 1 (revised 2007), Presentation of financial statements	1 January 2009

Five years financial summary

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

	2004	2005	2006	2007	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Turnover	9,168,715	12,964,047	14,699,964	20,341,122	**29,997,264**
Profit/(loss) before taxation	1,545,305	1,664,378	1,879,412	1,789,567	**(3,189,801)**
Income tax (expense)/credit	(473,244)	(507,425)	(520,469)	(269,102)	**130,679**
Profit/(loss) for the year	1,072,061	1,156,953	1,358,943	1,520,465	**(3,059,122)**
Attributable to:					
Equity shareholders of the Company	1,045,708	1,066,421	1,201,201	1,196,860	**(2,560,103)**
Minority interests	26,353	90,532	157,742	323,605	**(499,019)**
Profit/(loss) for the year	1,072,061	1,156,953	1,358,943	1,520,465	**(3,059,122)**
Total non-current assets	24,501,660	31,412,629	50,379,076	61,563,473	**78,861,310**
Total current assets	3,072,674	2,700,712	3,660,271	4,389,947	**6,556,117**
Total assets	27,574,334	34,113,341	54,039,347	65,953,420	**85,417,427**
Total current liabilities	(6,739,283)	(7,788,747)	(18,622,129)	(24,221,200)	**(27,751,825)**
Total non-current liabilities	(10,148,549)	(12,662,178)	(19,569,315)	(23,589,538)	**(41,728,822)**
Net assets	10,686,502	13,662,416	15,847,903	18,142,682	**15,936,780**
Total equity attributable to equity shareholders of the Company	9,873,559	12,621,709	13,476,266	14,299,819	**11,426,315**
Minority interests	812,943	1,040,707	2,371,637	3,842,863	**4,510,465**
Total equity	10,686,502	13,662,416	15,847,903	18,142,682	**15,936,780**

Report of the PRC Auditors

All Shareholders of Huadian Power International Corporation Limited,

We have audited the accompanying financial statements of the Company, which comprise the consolidated balance sheet and balance sheet as at 31 December 2008, the consolidated income statement and income statement, the consolidated statement of changes in equity and statement of changes in equity, the consolidated cash flow statement and cash flow statement for the year then ended, and notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation of these financial statements in accordance with China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China. This responsibility includes: (1) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; (2) selecting and applying appropriate accounting policies; and (3) making accounting estimates that are reasonable in the circumstances.

2. AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

3. OPINION

In our opinion, the financial statements comply with the requirements of China Accounting Standards for Business Enterprises (2006) issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2008, and the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company for the year then ended.

KPMG Huazhen

Certified Public Accountants
Registered in the People's Republic of China

Beijing, the People's Republic of China

Zou Jun
Zhang Nan

8 April 2009

Consolidated balance sheet

as at 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

ASSETS	Note	2008	2007
Current assets			
Cash at bank and on hand	7	**1,874,096**	1,537,290
Bills receivable	8	**19,106**	399,047
Trade receivables	9	**1,950,192**	2,019,182
Prepayments	10	**169,985**	279,439
Other receivables	11	**209,920**	34,560
Inventories	12	**1,782,160**	741,273
Other current assets	13	**550,658**	107,171
Total current assets		**6,556,117**	5,117,962
Non-current assets			
Long-term equity investments	14	**2,662,709**	2,252,897
Fixed assets	15	**60,814,906**	57,798,522
Construction in progress	16	**8,203,492**	4,398,843
Construction materials	16	**6,882**	619,243
Construction and construction material prepayments		**4,880,180**	1,727,425
Intangible assets	17	**1,194,301**	1,130,890
Goodwill	18	**53,522**	37,511
Deferred tax assets	19	**269,418**	90,538
Total non-current assets		**78,085,410**	68,055,869
Total assets		**84,641,527**	73,173,831

Yun Gongmin
Legal representative

Zhu Fangxin
Person in charge of the accounting affairs

Chen Cunlai
Head of accounting department

The notes on pages 161 to 270 form part of these financial statements.

Consolidated balance sheet (Continued)

as at 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2008	2007
Current liabilities			
Short-term loans	22	**12,006,134**	10,084,192
Bills payable	23	**1,654,763**	2,456,910
Trade payables	24	**3,463,748**	4,273,305
Wages payable	25	**209,807**	212,935
Taxes payable	5(3)	**166,786**	530,789
Other payables	26	**2,967,348**	2,097,363
Short-term debenture payables	27	**2,605,798**	3,985,759
Long-term loans due within one year	28	**4,677,441**	2,124,438
Total current liabilities		**27,751,825**	25,765,691
Non-current liabilities			
Long-term loans	29	**40,370,043**	26,465,306
Deferred tax liabilities	19	**809,884**	723,366
Other non-current liabilities		**246,882**	112,708
Total non-current liabilities		**41,426,809**	27,301,380
Total liabilities		**69,178,634**	53,067,071
Shareholders' equity			
Share capital	30	**6,021,084**	6,021,084
Capital reserve	31(1)	**1,503,793**	3,199,290
Surplus reserves	31(2)	**1,472,609**	1,472,609
Retained profits	32	**2,020,550**	4,999,749
Total equity attributable to equity shareholders of the Company		**11,018,036**	15,692,732
Minority interests	6(5)	**4,444,857**	4,414,028
Total shareholders' equity		**15,462,893**	20,106,760
Total liabilities and shareholders' equity		**84,641,527**	73,173,831

These financial statements were approved by the Board of Directors on 8 April 2009.

Yun Gongmin	**Zhu Fangxin**	**Chen Cunlai**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 161 to 270 form part of these financial statements.

Balance sheet

as at 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

ASSETS	Note	2008	2007
Current assets			
Cash at bank and on hand	7	**780,288**	1,077,873
Bills receivable	8	**4,749**	5,021
Trade receivables	9	**1,645**	57,385
Prepayments	10	**18,712**	222,035
Other receivables	11	**501,591**	41,751
Inventories	12	**397,799**	195,283
Other current assets	13	**54,871**	—
Total current assets		**1,759,655**	1,599,348
Non-current assets			
Long-term equity investments	14	**12,239,506**	9,446,318
Fixed assets	15	**9,254,800**	9,928,732
Construction in progress	16	**745,682**	473,285
Construction and construction material prepayments		**978,992**	508,471
Intangible assets	17	**164,384**	169,053
Goodwill	18	**12,111**	12,111
Total non-current assets		**23,395,475**	20,537,970
Total assets		**25,155,130**	22,137,318

Yun Gongmin
Legal representative

Zhu Fangxin
Person in charge of the accounting affairs

Chen Cunlai
Head of accounting department

The notes on pages 161 to 270 form part of these financial statements.

Balance sheet (Continued)

as at 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	2008	2007
Current liabilities			
Short-term loans	22	**5,267,684**	1,906,972
Bills payable	23	**1,322,974**	822,494
Trade payables	24	**163,207**	198,881
Wages payable	25	**35,652**	34,949
Taxes payable	5(3)	**26,877**	209,436
Other payables	26	**1,568,552**	516,811
Short-term debenture payables	27	**2,605,798**	3,985,759
Long-term loans due within one year	28	**813,652**	217,559
Total current liabilities		**11,804,396**	7,892,861
Non-current liabilities			
Long-term loans	29	**1,832,213**	1,368,692
Deferred tax liabilities	19	**41,007**	41,054
Other non-current liabilities		**6,500**	—
Total non-current liabilities		**1,879,720**	1,409,746
Total liabilities		**13,684,116**	9,302,607
Shareholders' equity			
Share capital	30	**6,021,084**	6,021,084
Capital reserve	31(1)	**1,489,496**	1,948,002
Surplus reserves	31(2)	**1,472,609**	1,472,609
Retained profits	32	**2,487,825**	3,393,016
Total shareholders' equity		**11,471,014**	12,834,711
Total liabilities and shareholders' equity		**25,155,130**	22,137,318

These financial statements were approved by the Board of Directors on 8 April 2009.

Yun Gongmin	**Zhu Fangxin**	**Chen Cunlai**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 161 to 270 form part of these financial statements.

Consolidated income statement

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Note	2008	2007
Operating income	33	**31,960,778**	24,116,047
Less: Operating costs	34	**(30,993,916)**	(19,471,974)
Sales taxes and surcharges	35	**(227,940)**	(246,328)
Administrative expenses		**(1,099,129)**	(775,008)
Finance expenses	36	**(2,965,129)**	(1,664,978)
Impairment losses		**(11,050)**	(7,204)
Investment losses/(income)	37	**(77,613)**	144,202
Including: investment losses/(income) from associates and jointly controlled entity		**(108,617)**	144,202
Operating (loss)/profit		**(3,413,999)**	2,094,757
Add: Non-operating income	38	**275,549**	32,513
Less: Non-operating expenses	39	**(24,063)**	(12,234)
Including: losses on disposal of non-current assets		**(10,832)**	(6,619)
Total (loss)/profit		**(3,162,513)**	2,115,036
Less: Income tax	40	**118,351**	(368,491)
Net (loss)/profit		**(3,044,162)**	1,746,545
Including: net profit of acquiree before business combination		**24,624**	199,536
Net (loss)/profit attributable to equity shareholders of the Company		**(2,558,096)**	1,361,802
Minority interests		**(486,066)**	384,743
(Losses)/earnings per share (RMB):			
Basic (losses)/earnings per share		**(0.425)**	0.226
Diluted (losses)/earnings per share		**(0.425)**	0.226

These financial statements were approved by the Board of Directors on 8 April 2009.

Yun Gongmin
Legal representative

Zhu Fangxin
Person in charge of the accounting affairs

Chen Cunlai
Head of accounting department

The notes on pages 161 to 270 form part of these financial statements.

Income statement

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Note	2008	2007
Operating income	33	**8,378,918**	8,591,502
Less: Operating costs	34	**(8,159,933)**	(6,942,994)
Sales taxes and surcharges	35	**(64,510)**	(92,046)
Administrative expenses		**(380,977)**	(355,863)
Finance expenses	36	**(539,753)**	(360,066)
Impairment losses		**(186)**	4,672
Add: Investment income	37	**53,552**	144,264
Including: investment (losses)/income from associates and jointly controlled entity		**(120,046)**	130,606
Operating (loss)/profit		**(712,889)**	989,469
Add: Non-operating income	38	**168,010**	260,964
Less: Non-operating expenses	39	**(13,161)**	(6,140)
Including: losses on disposal of non-current assets		**(6,295)**	(3,551)
Total (loss)/profit		**(558,040)**	1,244,293
Less: Income tax	40	**26,156**	(316,111)
Net (loss)/profit		**(531,884)**	928,182

These financial statements were approved by the Board of Directors on 8 April 2009.

Yun Gongmin
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Chen Cunlai
Head of accounting department

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Consolidated cash flow statement

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Note	2008	2007
Cash flow from operating activities:			
Cash received from sales of electricity and heat		**37,707,602**	27,109,371
Other cash received relating to operating activities		**146,249**	222,561
Sub-total of cash inflow from operating activities		**37,853,851**	27,331,932
Cash paid for goods and services		**(29,013,571)**	(16,194,232)
Cash paid to and for employees		**(1,702,014)**	(1,597,476)
Cash paid for all types of taxes		**(2,938,166)**	(2,977,988)
Other cash paid relating to operating activities		**(683,782)**	(748,745)
Sub-total of cash outflow from operating activities		**(34,337,533)**	(21,518,441)
Net cash inflow from operating activities	41(1)	**3,516,318**	5,813,491
Cash flow from investing activities:			
Cash received from return on investments		**104,187**	59,891
Cash received from disposals of fixed assets		**39,128**	22,632
Other cash received relating to investing activities		**34,540**	139,049
Sub-total of cash inflow from investing activities		**177,855**	221,572
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(11,428,885)**	(10,658,080)
Cash paid for acquisition of investments		**(598,125)**	(158,410)
Cash paid for acquisition of subsidiaries	41(3)	**(909,753)**	(10,160)
Other cash paid relating to investing activities		**(2,920)**	(19,876)
Sub-total of cash outflow from investing activities		**(12,939,683)**	(10,846,526)
Net cash outflow from investing activities		**(12,761,828)**	(10,624,954)

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Chen Cunlai
Head of accounting department

The notes on pages 161 to 270 form part of these financial statements.

Consolidated cash flow statement (Continued)

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Note	2008	2007
Cash flow from financing activities:			
Proceeds from investments		**541,538**	1,231,578
Including: proceeds from investments from minority shareholders of subsidiaries		**541,538**	1,231,578
Proceeds from borrowings		**44,220,930**	29,546,104
Proceeds from discounting bills receivable		**247,972**	1,062,541
Cash received from government grants and special payables		**343,725**	22,818
Decrease in guarantee deposits of bank acceptance bills		**48,164**	296,108
Other cash received relating to financing activities		**11,758**	3,857
Sub-total of cash inflow from financing activities		**45,414,087**	32,163,006
Repayment of borrowings		**(30,849,938)**	(23,210,814)
Cash paid for dividends, profits or interest		**(3,992,276)**	(2,481,669)
Including: dividends and profits paid to minority shareholders by subsidiaries		**—**	(54,625)
Repayment of bills payable		**(784,090)**	(1,056,411)
Increase in guarantee deposits of bank acceptance bills		**(33,007)**	—
Other cash paid relating to financing activities		**(157,301)**	(304,902)
Sub-total of cash outflow from financing activities		**(35,816,612)**	(27,053,796)
Net cash inflow from financing activities		**9,597,475**	5,109,210
Net increase in cash and cash equivalents		**351,965**	297,747
Add: Cash and cash equivalents at the beginning of the year		**1,517,340**	1,219,593
Cash and cash equivalents at the end of the year	41(2)	**1,869,305**	1,517,340

These financial statements were approved by the Board of Directors on 8 April 2009.

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Chen Cunlai
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The notes on pages 161 to 270 form part of these financial statements.

Cash flow statement

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Note	2008	2007
Cash flow from operating activities:			
Cash received from sales of electricity and heat		**9,817,135**	10,433,216
Other cash received relating to operating activities		**125,887**	53,950
Sub-total of cash inflow from operating activities		**9,943,022**	10,487,166
Cash paid for goods and services		**(7,388,023)**	(6,360,074)
Cash paid to and for employees		**(532,604)**	(657,754)
Cash paid for all types of taxes		**(850,731)**	(1,161,122)
Other cash paid relating to operating activities		**(424,702)**	(271,608)
Sub-total of cash outflow from operating activities		**(9,196,060)**	(8,450,558)
Net cash inflow from operating activities	41(1)	**746,962**	2,036,608
Cash flow from investing activities:			
Cash received from disposal of investments		**5,556**	—
Cash received from return on investments		**172,977**	69,407
Cash received from disposal of fixed assets		**22,564**	728
Other cash received relating to investing activities		**340,366**	16,095
Sub-total of cash inflow from investing activities		**541,463**	86,230
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(1,597,318)**	(1,760,570)
Cash paid for acquisitions of investments		**(2,702,553)**	(2,246,039)
Other cash paid relating to investing activities		**(64,027)**	(5,340)
Sub-total of cash outflow from investing activities		**(4,363,898)**	(4,011,949)
Net cash outflow from investing activities		**(3,822,435)**	(3,925,719)

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The notes on pages 161 to 270 form part of these financial statements.

Cash flow statement (Continued)

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Note	2008	2007
Cash flow from financing activities:			
Proceeds from borrowings		**19,353,048**	12,037,664
Cash received from government grants and special payables		**138,740**	—
Proceeds from discounting bills receivable		**—**	984,541
Decrease in guarantee deposits for bank acceptance bills		**—**	319
Other cash received relating to financing activities		**175,110**	—
Sub-total of cash inflow from financing activities		**19,666,898**	13,022,524
Repayment of borrowings		**(15,918,294)**	(9,824,091)
Cash paid for dividends, profits or interest		**(887,095)**	(749,995)
Other cash paid relating to financing activities		**(83,621)**	(58,124)
Sub-total of cash outflow from financing activities		**(16,889,010)**	(10,632,210)
Net cash inflow from financing activities		**2,777,888**	2,390,314
Net (decrease)/increase in cash and cash equivalents		**(297,585)**	501,203
Add: Cash and cash equivalents at the beginning of the year		**1,077,873**	576,670
Cash and cash equivalents at the end of the year	41(2)	**780,288**	1,077,873

These financial statements were approved by the Board of Directors on 8 April 2009.

Yun Gongmin	**Zhu Fangxin**	**Chen Cunlai**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 161 to 270 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Attributable to shareholders' equity of the Company						
	Share capital	Capital reserve	Surplus reserve	Retained profits	Sub-total	Minority interests	Total equity
2008							
Balance at 31 December 2007	6,021,084	2,061,906	1,472,609	4,780,035	14,335,634	3,874,121	18,209,755
Adjustment of business combination involving entities under common control	—	1,137,384	—	219,714	1,357,098	539,907	1,897,005
Balance at 1 January 2008	6,021,084	3,199,290	1,472,609	4,999,749	15,692,732	4,414,028	20,106,760
Changes in equity for the year							
Net loss	—	—	—	(2,558,096)	(2,558,096)	(486,066)	(3,044,162)
Capital injection from minority shareholders to subsidiaries	—	—	—	—	—	553,225	553,225
Profit and loss directly attributable to shareholders' equity							
— Effect on other changes in shareholders' equity of the investee unit under equity method	—	(16,847)	—	—	(16,847)	(1,197)	(18,044)
Adjustment on capital reserve of business combination involving entities under common control	—	(1,765,317)	—	—	(1,765,317)	—	(1,765,317)
Acquisition of subsidiaries	—	—	—	—	—	150,765	150,765
Deemed gain on disposal of minority interests	—	72,324	—	—	72,324	(72,324)	—
Fair value adjustment of interest free loans granted by China Huadian	—	11,555	—	—	11,555	209	11,764
Capital contribution by the State	—	2,788	—	—	2,788	612	3,400
Profit appropriation	—	—	—	(421,103)	(421,103)	(114,395)	(535,498)
Closing balance of the year	6,021,084	1,503,793	1,472,609	2,020,550	11,018,036	4,444,857	15,462,893

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Head of accounting department

The notes on pages 161 to 270 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Attributable to shareholders' equity of the Company						
	Share capital	Capital reserve	Surplus reserve	Retained profits	Sub-total	Minority interests	Total equity
2007							
Balance at 31 December 2006	6,021,084	2,072,416	1,379,790	4,019,891	13,493,181	2,407,099	15,900,280
Adjustment of business combination involving entities under common control	—	1,097,551	—	167,966	1,265,517	442,290	1,707,807
Balance at 1 January 2007	6,021,084	3,169,967	1,379,790	4,187,857	14,758,698	2,849,389	17,608,087
Changes in equity for the year							
Net loss	—	—	—	1,361,802	1,361,802	384,743	1,746,545
Capital injection from minority shareholders to subsidiaries	—	—	—	—	—	1,231,801	1,231,801
Profit and loss directly attributable to shareholders' equity							
— Effect on other changes in shareholders' equity of the investee unit under equity method	—	(740)	—	—	(740)	—	(740)
Adjustment on capital reserve of business combination involving entities under common control	—	(25,410)	—	—	(25,410)	—	(25,410)
Capital contribution by the State	—	55,473	—	—	55,473	8,743	64,216
Profit appropriation	—	—	92,819	(549,910)	(457,091)	(60,648)	(517,739)
Closing balance of the year	6,021,084	3,199,290	1,472,609	4,999,749	15,692,732	4,414,028	20,106,760

These financial statements were approved by the Board of Directors on 8 April 2009.

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Chen Cunlai
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The notes on pages 161 to 270 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
2008					
Balance at 31 December 2007/ 1 January 2008	**6,021,084**	**1,948,002**	**1,472,609**	**3,393,016**	**12,834,711**
Changes in equity for the year					
Net loss	—	—	—	**(531,884)**	**(531,884)**
Profit and loss directly attributable to shareholders' equity					
— Effect on other changes in shareholders' equity of the investee unit under equity method	—	**(14,709)**	—	—	**(14,709)**
— Adjustment on capital reserve of business combination involving entities under common control	—	**(454,401)**	—	—	**(454,401)**
— Fair value adjustment of interest free loans granted by China Huadian	—	**10,604**	—	—	**10,604**
Profit appropriation	—	—	—	**(373,307)**	**(373,307)**
Closing balance of the year	**6,021,084**	**1,489,496**	**1,472,609**	**2,487,825**	**11,471,014**

Yun Gongmin
Legal representative

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Person in charge of the accounting affairs

Chen Cunlai
Head of accounting department

The notes on pages 161 to 270 form part of these financial statements.

Statement of changes in equity

for the year ended 31 December 2008
(Prepared under China Accounting Standards for Business Enterprises (2006))
(Expressed in Renminbi'000)

	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
2007					
Balance at 31 December 2006/ 1 January 2007	6,021,084	1,954,966	1,379,790	2,930,960	12,286,800
Changes in equity for the year					
Net loss	—	—	—	928,182	928,182
Profit and loss directly attributable to shareholders' equity					
— Effect on other changes in shareholders' equity of the investee unit under equity method	—	(740)	—	—	(740)
— 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 appropriation	—	—	92,819	(466,126)	(373,307)
Closing balance of the year	6,021,084	1,948,002	1,472,609	3,393,016	12,834,711

These financial statements were approved by the Board of Directors on 8 April 2009.

Yun Gongmin	**Zhu Fangxin**	**Chen Cunlai**
Legal representative	*Person in charge of the accounting affairs*	*Head of accounting department*

The notes on pages 161 to 270 form part of these financial statements.

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 holing 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 RMB3,825,056,200, divided into 3,825,056,200 ordinary shares of RMB1 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 RMB1 each, comprising of 3,825,056,200 domestic shares and 1,431,028,000 H shares. The Company's 1,431,028,000 H shares were successfully listed on The Stock Exchange of Hong Kong Limited in June 1999.

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

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB 1 each. As a result, the registered capital of the Company was increased to 6,021,084,200 shares. The RMB ordinary shares include 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares were listed on the Shanghai Stock Exchange on 3 February 2005. On 11 May 2005, the Company obtained a new business licence for body corporate regarding the new registered capital.

Pursuant to a resolution passed on the general meeting held on 30 June 2008, legal representative of the Company was changed to Yun Gongmin and a renewed business licence for body corporate (370000400001274) was obtained on 7 July 2008.

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 3,148,103,094 original domestic shares held by the original domestic shareholders are not yet circulated on 31 December 2008 due to restriction for disposal imposed on these shares.

1 COMPANY STATUS (continued)

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

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

2 BASIS OF PREPARATION OF 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 financial statements is 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(10))

— Available-for-sale financial assets (see note 3(10))

(4) Functional and presentation currency

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

3 THE PRINCIPAL ACCOUNTING POLICIES

(1) Business combination and consolidated financial statements

(a) Business combination involving entities under common control

A business combination involving 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 acquirer 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 acquirer, 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 acquirer effectively obtains control of the acquiree.

The acquirer 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.

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

Any excess of the acquirer'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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

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

(c) Consolidated financial statements (continued)

Where a subsidiary was acquired 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.

Where a subsidiary was acquired 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.

Where the Company acquired a minority interest from a subsidiary's minority shareholders, the difference between the investment cost for acquiring the minority interest and the corresponding reduction of minority interest in the consolidated financial statements, is adjusted to the capital reserve in the consolidated balance sheet. If the credit balance of capital reserve is insufficient, any excess is adjusted to retained earnings.

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.

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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(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 Exchanges or a cross rate determined based on quoted exchange rate.

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.

(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.

Cost of inventories comprises all costs of purchase and other costs. Inventories are initially measured at their actual cost. Cost of inventories is calculated using the weighted average method.

Any excess of cost over the net realisable value of each class of inventories is recognised as a provision for diminution in the value of inventories. Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale.

The Group maintains a perpetual inventory system.

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(11)(c)) 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.

— An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Company 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, if the exchange is business in substance and the fair value of the exchanged assets can be reliably estimated, and the amount of related taxation payables.

(b) Investment in jointly controlled entities and associates

A jointly controlled entity is an entity 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 entity 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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(5) Long-term equity investments (continued)

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

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(11)(c)).

An investment in a jointly controlled entity and an associate 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 an investor.

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

— Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

— After the acquisition of the investment, the Group recognises its share of the investee's net profits or losses, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profits distributions, the carrying amount of the investment is reduced by that attributable to the Group.

The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entities and associates are eliminated to the extent of the Group's interest in the jointly controlled entities and associates. Unrealised losses resulting from transactions between the Group and its jointly controlled entities and associates are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

— 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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(5) Long-term equity investments (continued)

(c) Other long-term investments

Other long-term equity investments refer to investments for which the Group does not have the rights 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 values cannot be reliably estimated.

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)(b).

(6) Fixed assets and construction in progress

Fixed assets represents 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 fiscal year.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and provision for impairment (see note 3(11)(c)). Construction in progress is stated in the balance sheet at cost less provision for impairment (see note 3(11)(c)).

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 construction materials, direct labour, capitalised borrowing costs (see note 3(17)), and any other expenditure 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.

(Expressed in Renminbi)

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	20-45 years	3%-5%	2.1%-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 recognised as costs or 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 (see note 3(11)(c)). For an intangible asset with finite useful life, its cost less residual value and provision for impairment is amortised using the straight-line method over its estimated useful life. The amortisation periods of land use rights are determined by reference to the periods 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. The Group will reassess the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group will estimate its useful life and account for it in accordance with the same policy as intangible assets with finite useful lives described above.

(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 is not amortised by the Group and is stated in the balance sheet at cost less accumulated provision for impairment (see note 3(11)(c)). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(10) Financial instruments

The Group's financial instruments comprise cash at bank and on hand, receivables, payables, loans and borrowings, 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 the financial instruments.

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 follows:

— Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

Financial assets and financial liabilities are classified as at fair value through profit or loss if they are acquired or incurred principally for the purpose of selling or repurchasing in the short term or if they are derivatives.

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and any gains or losses arising from changes in fair value are recognised in 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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(10) 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 profit or loss, 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. Dividend income from these equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss (see note 3(15)(c)).

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(10) 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.

Other financial liabilities include the liabilities arising from financial guarantee contracts. Financial guarantee contracts 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.

(b) Determination of fair values

If there is an active market for a financial asset or financial liability, the quoted price 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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(10) Financial instruments (continued)

(c) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit or loss:

— carrying amount of the financial asset transferred

— the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

(d) Equity instrument

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

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

Consideration and transaction costs paid by the Company for repurchasing self-issued equity instruments are deducted from shareholders' equity.

(11) Impairment of financial assets and non-financial long-term assets

(a) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date by the Group to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

— 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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(11) Impairment of financial assets and non-financial long-term assets (continued)

(a) Impairment of financial assets (continued)

— Receivables and held-to-maturity investments (continued)

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 observable figures reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables or held-to-maturity investments, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised 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.

— Available-for-sale financial assets

Available-for-sale financial assets 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.

(b) Impairment of other long-term equity investments

Other long-term equity investments (see note 3(5)(c)) are assessed for impairment on an individual basis.

For other long-term equity investments, 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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(11) Impairment of financial assets and non-financial long-term assets (continued)

(c) Impairment of other 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; and

— long-term equity investments in subsidiaries, associates or jointly controlled entities.

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill and intangible assets with indefinite useful lives at no later than 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 set of asset groups.

An asset group is the Group's smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows form other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(11) Impairment of financial assets and non-financial long-term assets (continued)

(c) Impairment of other non-financial long-term assets (continued)

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the result of the recoverable amount calculating indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly. For 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, 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 an impairment loss is recognised, it is not reversed in a subsequent period.

(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 arranged by the local Labour and Social Security Bureaus. The Group makes contributions to the retirement scheme at the applicable rates based on the amounts stipulated by the government organisation. In addition, the Group has 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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(12) Employee benefits (continued)

(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.

(c) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts have expired, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided, is recognised in profit or loss when both of the following conditions have been satisfied:

— The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly;

— The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

(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.

At the balance sheet date, current tax assets and liabilities are offset if the taxable entity has a legally enforceable right to set off them and the entity intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(13) Income tax (continued)

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

— the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

— they relate to income taxes levied by the same tax authority on either the same taxable entity, or different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

(14) Provisions and contingent liabilities

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

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 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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(16) Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for the 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.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

(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 finance expenses in the income statement when incurred.

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 acquired for the acquisition or construction of a qualifying asset, the amount of interest capitalised are calculated using the effective interest rates during the period less any interest income earned on the deposit of the unused borrowings in banks, or any investment income on the temporary investment of those borrowings.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(17) Borrowing costs (continued)

— For the general borrowings acquired 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 initially recognised amount of the borrowings.

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a finance expense in the period in which they are incurred.

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 are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition or construction activities are interrupted abnormally and the interruption lasts over three months.

(18) Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation proposal which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(19) Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control, joint control or significant influence from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Where enterprises are subject to state common control but are otherwise unrelated, they are not regarded as related parties. Related parties of the Group and the Company 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 or exercise significant influence over the Group;

(e) enterprises or individuals if a party has control, joint control or significant influence over both the enterprises or individuals of 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;

(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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(19) Related parties (continued)

Besides the related parties stated aboves 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, or persons that act in concert, that hold 5% or more of the Company's shares;

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

(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.

(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.

(21) Significant accounting estimates and judgments

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.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(21) Significant accounting estimates and judgments (continued)

Note 42 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:

(a) Impairment of receivables

As described in note 3(11)(a), 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 periods is reversed.

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

As described in note 3(11)(c), 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.

The recoverable amount of an asset (or an 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 the value in use, significant judgments 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.

(c) 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 useful lives after taking into account the residual value. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The 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.

(d) Deferred tax assets

As described in note 3(13), 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. The Group obtained all relevant information, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption, to estimate whether sufficient future taxable profits will be available against which deductible temporary differences can be utilised. If there is an indication that there has been a change in the factors used to determine the deferred tax assets, the amount of deferred tax assets and tax expenses are revised.

3 THE PRINCIPAL ACCOUNTING POLICIES (continued)

(21) Significant accounting estimates and judgments (continued)

(e) Useful life of land use rights

As described in note 3(8), an intangible asset is regarded as having an indefinite useful life when there is no foreseeable limited to the period over which the asset is expected to generate economic benefits for the Group. The Group will reassess the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, or there has been a change in the factors used to determine the useful life, the amount of amortisation is revised.

4 EXPLANATION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Changes in accounting policies

Pursuant to the requirements of "China Accounting Standards explanations (2008)" issued in December 2008, the following significant accounting policies are changed during the reporting period:

— Deferred tax assets and deferred tax liabilities are presented in net amount

Deferred tax assets and deferred tax liabilities are originally stated in gross amount by the Group. Starting from the current reporting period, when certain criteria are fulfilled (see note 3(13)), the amount of deferred tax assets and deferred tax liabilities are set off and the net amount are presented.

Regarding the changes in presentation of deferred tax assets and deferred tax liabilities, the Group adjusted the comparative figures of relevant items at the same time.

— Presentation of tax expenses to be paid and recovered or prepaid tax

Tax expenses to be paid and recovered or prepaid tax is originally presented in net amount according to the relevant tax classification in tax payable. Starting from the current reporting period, if the tax paying entity has an enforceable right and an intention to settle in net amount in the balance sheet date or acquire assets and settle liabilities at the same time, tax expenses to be paid and recovered or prepaid tax is stated in net amount after set off in tax payable or other current assets.

Regarding the changes in presentation of tax expenses to be paid and recovered or prepaid tax, the Group adjusted the comparative figures of relevant items at the same time.

4 EXPLANATION OF CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (continued)

(2) Changes in accounting estimates

Pursuant to the State policy of energy saving and pollutant reduction and China Huadian schedule of closing down small-scale thermal generators, certain generators of the Group were closed down during 2008. These generators were expected to be disposed at the end of next period. 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:

	2008	2009	2010	Subsequent years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase/(decrease) in depreciation	122,886	(40,962)	(40,962)	(40,962)

5 TAXATION

(1) The types of tax applicable to the Group for sale of electricity and heat include value added tax ("VAT"), city maintenance and construction tax and education surcharge, etc. Their tax rates are as follows:

VAT (note (i))	
— Sales of electricity	17%
— Sales of heat	13%
City maintenance and construction tax	1-7%
Education surcharge	3-5%

Notes:

(i) The Tentative Regulations on Value-added tax of the People's Republic of China (hereinafter referred to as the "regulation") was revised and passed on the 34th General Meeting of the State Council of the People's Republic of China on 5 November 2008, effective from 1 January 2009. Pursuant to the regulation, the amount of input VAT incurred by the Company and its subsidiaries from purchase or self-construction of fixed assets on or after 1 January 2009 can be used to set off output VAT. The regulation does not affect the carrying amount of tax payables stated in the balance sheet of the Company and its subsidiaries at 31 December 2008.

(Expressed in Renminbi)

5 TAXATION (continued)

(2) Income tax

The income tax rate applicable to the Company and each of its subsidiaries for the year is 25% (2007: 33%), except for Sichuan Guangan Power Generation Company Limited ("Guangan Company"), Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company") and Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company"), for which preferential tax rates apply.

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

Company name	Preferential tax rate	Reasons for preferential treatment
Guangan Company	15%	Enterprise income tax preferential policies on the development of the Western Region (note (i))
Lingwu Company	—	Attracting investment policies of Ningxia Hui Autonomous Regions (note (ii))
Ningdong Wind Power Company	—	Major public infrastructure project supported by the State (note (iii))

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 years ended 31 December 2007 and 2008 had been reduced to 15%.

5 TAXATION (continued)

(2) Income tax (continued)

Notes: (continued)

(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.

(iii) Pursuant to the Enterprise Income Tax Law of the People's Republic of China and the Regulation on the Implementation of the Enterprise Income Tax Law of the People's Republic of China, the income obtained by an enterprise from investing in or operating any of the public infrastructure projects under the key support of the State shall be exempted from the EIT for the first three years as of the tax year when the first revenue arising from production or operation it is attributable to, and shall be taxed at half the reduced half rate for the fourth to the sixth years. In accordance with the notice issued by Lingwu municipal State Administration of Taxation of the Ningxia Hui Autonomous Regions, Ningdong Wing Power Company is exempted from EIT for the year 2008.

Pursuant to the relevant tax laws and approval documents issued by the tax authorities, Huadian International Shangdong Information Company Limited ("Information Company") are exempted from EIT for the years 2006 and 2007. The preferential tax treatments are terminated from 1 January 2008. Except for this, there are no changes in the preferential tax treatments applicable to the Company and its subsidiaries when compared with last year.

(3) Tax payable

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
VAT payable	**68,275**	270,548	**14,223**	81,238
City maintenance and construction tax payable	**16,177**	31,306	**928**	9,037
EIT payable	**10,216**	151,159	**—**	97,237
Others	**72,118**	77,776	**11,726**	21,924
Total	**166,786**	530,789	**26,877**	209,436

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS

(1) At 31 December 2008, the following subsidiaries are included in the Company's consolidated financial statements:

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

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Effective controlling party exercising common control	Closing effective investment cost	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
				RMB'000		*RMB'000*		
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	69,000	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	518,017	97%	97%
Anhui Huadian Wuhu Power Company Limited ("Wuhu Company") *(note (i))*	762773720	Wuhu, the PRC	Generation and sale of electricity	110,000	China Huadian	348,046	65%	65%
Hangzhou Huadian Banshan Power Generation Company Limited ("Banshan Company")	143049514	Hangzhou, the PRC	Generation and sale of electricity and heat	480,762	China Huadian	386,724	64%	64%
Hebei Huadian Complex Pumping-storage Power Company Limited ("Hebei Hydropower Company")	777703338	Luquan, the PRC	Generation and sale of electricity	10,000	China Huadian	15,682	100%	100%

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) At 31 December 2008, the following subsidiaries are included in the Company's consolidated financial statements: (continued)

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

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Effective controlling party exercising common control	Closing effective investment cost	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
				RMB'000		*RMB'000*		
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	713187645	Shijiazhuang, the PRC	Generation and sale of electricity and heat	789,740	China Huadian	908,511	82%	82%
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Thermal Power Company") *(note (iii))*	791380651	Shijiazhuang, the PRC	Generation and sale of electricity and heat (under construction)	375,000	China Huadian	—	49.2%	60%
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Thermal Power Company") *(note (ii))*	67468690X	Shijiazhuang, the PRC	Generation and sale of electricity and heat (under construction)	30,000	China Huadian	—	41%	50%

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) At 31 December 2008, the following subsidiaries are included in the Company's consolidated financial statements: (continued)

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

Notes:

(i) The Company (originally holds 95% equity interest in Wuhu Company) entered into a capital increase agreement with Fanchang Construction Limited (originally holds 5% equity interest in Wuhu Company) and Huainan Mining Industry Group Company Limited ("Huainan Mining") on 9 October 2008. After the injection of capital, the equity interest of the Company in Wuhu Company decreases from 95% to 65%.

(ii) Luhua Thermal Power Company is the subsidiary controlled by Shijiazhuang Thermal Power Company, a subsidiary of the Company, Shijiazhuang Thermal Power Company holds 50% equity interest in Luhua Thermal Power Company. According to the articles of association of Luhua Thermal Power Company, as Shijiazhuang Thermal Power Company holds majority of seats in the board of directors, Shijiazhuang Thermal Power Company can participate in the financial and operating policy decisions of Luhua Thermal Power Company, and obtain benefits from its operating activities. Therefore, the management of the Company presumes that the Company is able to control Luhua Thermal Power Company and includes it into the consolidated financial statements of the Company.

(iii) Yuhua Thermal Power Company is the subsidiary controlled by Shijiazhuang Thermal Power Company, a subsidiary of the Company.

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) At 31 December 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:

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Closing effective investment cost	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
				RMB'000	*RMB'000*		
Huadian Qingdao Power Company Limited ("Qingdao Company")	163580003	Qingdao, the PRC	Generation and sale of electricity and heat	700,000	345,668	55%	55%
Huadian Weifang Power Generation Company Limited ("Weifang Company") *(note (iv))*	165423394	Weifang, the PRC	Generation and sale of electricity	1,250,000	823,483	45%	45%
Huadian Zibo Power Company Limited ("Zibo Thermal Power 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 Thermal Power Company")	169919856	Tengzhou, the PRC	Generation and sale of electricity and heat	245,000	424,400	89.3%	89.3%

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) At 31 December 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: (continued)

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Closing effective investment cost	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
				RMB'000	*RMB'000*		
Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("Za-gunao Hydropower Company") *(note (iv))*	754728233	Sichuan, the PRC	Generation and sale of electricity	50,000	449,529	49%	49%

Notes:

(iv) Although the Company's direct and indirect shareholding percentage and voting rights in Weifang Company and Za-gunao Hydropower Company are less than 50%, according to the articles of association of these companies, the company holds majority of seats in the board of directors and therefore can participate in the financial and operating policy decision of these two companies, and obtain benefits from their operating activities. As a result, the management of the Company presumes that the Company is able to control Weifang Company and Za-gunao Hydropower Company and includes them into the consolidated financial statements of the Company.

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) At 31 December 2008, the following subsidiaries are included in the Company's consolidated financial statements: (continued)

(c) Subsidiaries established by investment of the Company or contributed by shareholders when the Company was established:

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Closing effective investment cost	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
				RMB'000	*RMB'000*		
Lingwu Company	774928697	Lingwu, the PRC	Generation and sale of electricity	1,000,000	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	266,090	100%	100%
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Power Company")	66293432	Suzhou, the PRC	Generation and sale of electricity	40,000	43,680	78%	78%
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%

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) At 31 December 2008, the following subsidiaries are included in the Company's consolidated financial statements: (continued)

(c) Subsidiaries established by investment of the Company or contributed by shareholders when the Company was established: (continued)

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Closing effective investment cost	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
				RMB'000	*RMB'000*		
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%
Ningdong Wind Power Company	799900316	Lingwu, the PRC	Generation and sale of electricity	10,000	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%

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(1) At 31 December 2008, the following subsidiaries are included in the Company's consolidated financial statements: (continued)

(c) Subsidiaries established by investment of the Company or contributed by shareholders when the Company was established: (continued)

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Closing effective investment cost	Percentage of shares directly and indirectly held by the Company	Percentage of voting power directly and indirectly held by the Company
				RMB'000	*RMB'000*		
Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Power Company")	674523991	Laizhou, the PRC	Generation and sale of electricity	146,060	80,333	55%	55%
Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company")	67438152-4	Tongliao, the PRC	Generation and sale of electricity (under construction)	169,980	19,123	75%	75%
Huadian Luohe Power Generation Company Limited ("Luohe Company")	68076402X	Luohe, the PRC	Generation and sale of electricity (under construction)	502,000	75,300	75%	75%
Tengzhou Xinyuan Heat Company Limited ("Tengzhou Heat Company") *(note (v))*	681703528	Tengzhou, the PRC	Sale of heat	15,000	—	62.48%	70%

Notes:

(V) Tengzhou Heat Company is the subsidiary controlled by Tengzhou Thermal Power Company, a subsidiary of the Company.

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

At 1 July 2008 (date of acquisition), the Company acquired 64% equity interest of Banshan Company, 82% equity interest of Shijiazhuang Thermal Power Company and 100% equity interest of Hebei Hydropower Company from China Huadian, the controlling shareholder of the Company, at cash consideration of RMB1,765,317,000.

The details of the abovementioned 3 acquired companies are disclosed in note 6(1)(a).

The financial information, for the period starting from 1 January 2008 to the date of acquisition, of the abovementioned 3 acquired companies is as follows:

	From 1 January 2008 to 1 July 2008 (date of acquisition)
	RMB'000
Turnover	1,802,539
Net profit	24,624
Net cash inflow	446,649

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

The carrying amounts of assets and liabilities are as follows:

	1 July 2008	31 December 2007
	RMB'000	*RMB'000*
Cash at bank and on hand	**590,700**	144,051
Trade receivables and other receivables	**373,828**	486,997
Inventories	**99,952**	91,493
Fixed assets and construction in progress	**6,694,776**	6,079,057
Intangible assets	**358,046**	358,664
Long-term equity investments	**189,223**	188,309
Deferred tax assets	**2,032**	1,257
Short-term loans	**(790,000)**	(560,000)
Trade and other payables	**(525,762)**	(574,551)
Long-term loans	**(5,074,051)**	(4,318,272)
Other non-current liabilities	**(4,500)**	—
Net assets	**1,914,244**	1,897,005

The Company has RMB829,686,000 payables related to equity transfer did not settle at 31 December 2008.

(3) Business combination involving entities not under common control during the year

At 1 July 2008 (date of acquisition), the Company acquired 49% equity interest of Za-gunao Hydropower Company from China Huadian, the controlling shareholder of the Company, at cash consideration of RMB181,179,000.

The Company's direct and indirect shareholding percentage and voting rights in Za-gunao Hydropower Company are less than 50%. Prior to acquisition, Za-gunao Hydropower Company was a company invested by China Huadian. As the Company holds majority of seats in the board of directors after acquisition and therefore the percentage of voting rights in the board of directors is greater than 50%, the Company can participate in the financial and operating policy decisions of Za-gunao Hydropower Company, and obtain benefits from its operating activities. As a result, the management of the Company presumes that the Company is able to control Za-gunao Hydropower Company and treats it as a subsidiary of the Company.

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Business combination involving entities not under common control during the year (continued)

According to the requirements of equity transfer agreement, 30 September 2007 is determined to be the assessment date and an assessment of the amount of net assets as at that date was undertaken. Public accounting firm was employed to audit the financial status between the assessment date and the acquisition date, and the price of equity transfer is adjusted accordingly. As a 8-magnitude earthquake occurred in certain regions in Sichuan Province on 12 May 2008, part of the fixed assets and construction in progress were damaged. The Company had considered the effects of damaged fixed assets and construction in progress on the fair value of identifiable net assets at 1 July 2008. China Huadian and the Company entered into an "Agreement about profit or loss incurred during the equity transfer period of the target company", the loss sustained from the Za-gunao earthquake should be settled together with earthquake related government subsidies granted by the State after the total amount of loss is confirmed.

The financial information of Za-gunao Hydropower Company is as follows:

	From 1 July 2008 (date of acquisition) to 31 December 2008
	RMB'000
Turnover	29,174
Net loss	(64,087)
Net cash outflow	(38,654)

The details of identifiable assets and liabilities are as follows:

	1 July 2008		31 December 2007
	Carrying amount	**Fair value**	Carrying amount
	RMB'000	***RMB'000***	*RMB'000*
Cash at bank and on hand	**134,701**	**134,701**	12,274
Trade receivables and other receivables	**161,582**	**161,582**	4,349
Inventories	**279**	**279**	368
Fixed assets, construction in progress and construction materials	**3,814,900**	**3,853,928**	3,588,503
Construction and construction materials prepayments	**322,496**	**322,496**	272,111
Intangible assets	**1,694**	**49,084**	1,758
Short-term loans	**(290,000)**	**(290,000)**	—
Trade and other payables	**(549,182)**	**(549,182)**	(432,381)
Long-term loans	**(3,340,000)**	**(3,340,000)**	(3,140,000)
Deferred tax liabilities	**—**	**(21,604)**	—
Identifiable net assets	**256,470**	**321,284**	306,982

6 BUSINESS COMBINATION AND CONSOLIDATED FINANCIAL STATEMENTS (continued)

(3) Business combination involving entities not under common control during the year (continued)

The fair value of the abovementioned identifiable assets is based on quoted price in an active market if an active market exists, or if an active market does not exist, the fair value is determined based on quoted price of the same type or similar types of assets in an active market if an active market for the same type or similar types of assets exists. If there is no active market exist for the same type or similar types of assets, valuation techniques are then used to determine the fair value.

The fair value of the abovementioned liabilities is determined based on the amount payables or the present value of amount payables.

The Company has settled RMB108,823,000 payables related to equity transfer on 31 December 2008. The ultimate price of equity transfer is to be confirmed after the loss of assets sustained from the earthquake is determined.

(4) Subsidiary excluded from consolidated financial statements

The Company disposed Jiangsu Huadian Binhai Wind Power Company Limited during the year, and this company is excluded from the consolidated financial statements.

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

Company name	Closing balance of minority interests	Opening balance of minority interests
	RMB'000	*RMB'000*
Guangan Company	364,404	454,827
Xinxiang Company	—	11,338
Suzhou Company	10,113	9,924
Wuhu Company	162,040	4,615
Qingdao Company	701,706	719,514
Weifang Company	1,094,996	1,335,077
Zhangqiu Company	59,056	100,403
Tengzhou Thermal Power Company	1,515	32,717
Lingwu Company	271,968	255,817
Suzhou Biomass Energy Power Company	6,910	8,800
Qingdao Heat Company	13,750	13,607
Zouxian Company	857,869	927,481
Laizhou Wind Power Company	67,491	—
Luohe Company	25,100	—
Tengzhou Heat Company	4,500	—
Banshan Company	227,542	241,336
Kailu Wind Power Company	6,435	—
Shijiazhuang Thermal Power Company	190,826	200,572
Yuhua Thermal Power Company	194,811	98,000
Luhua Thermal Power Company	15,000	—
Za-gunao Hydropower Company	168,825	—
Total	4,444,857	4,414,028

7 CASH AT BANK AND ON HAND

	2008			2007		
	Original currency	**Exchange rate**	**Renminbi/ Renminbi equivalent**	Original currency	Exchange rate	Renminbi/ Renminbi equivalent
	'000		***'000***	*'000*		*'000*
The Group						
Cash on hand			**1,536**			1,394
Cash at bank						
— Renminbi			**1,864,847**			1,513,603
— US dollars	**7**	**6.8346**	**48**	6	7.3046	44
— HK dollars	**5**	**0.8819**	**5**	5	0.9364	5
Other monetary fund			**2,869**			2,294
Sub-total			**1,869,305**			1,517,340
Guarantee deposits for bank acceptance bills payable			**4,791**			19,950
Total			**1,874,096**			1,537,290

	2008			2007		
	Original currency	**Exchange rate**	**Renminbi/ Renminbi equivalent**	Original currency	Exchange rate	Renminbi/ Renminbi equivalent
	'000		***'000***	*'000*		*'000*
The Company						
Cash on hand			**905**			876
Cash at bank						
— Renminbi			**778,302**			1,075,885
— US dollars	**6**	**6.8346**	**41**	6	7.3046	44
— HK dollars	**5**	**0.8819**	**5**	5	0.9364	5
Other monetary fund			**1,035**			1,063
Total			**780,288**			1,077,873

8 BILLS RECEIVABLE

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank acceptance bills	**19,106**	182,507	**4,749**	5,021
Commercial acceptance bills	**—**	216,540	**—**	—
Total	**19,106**	399,047	**4,749**	5,021

All of the above bills are due within one year.

As at 31 December 2007 and 31 December 2008, there is no bank acceptance nor commercial acceptance bills being pledged by the Group and the Company.

As at 31 December 2008, the Group's outstanding endorsed or discounted bills amounted to RMB378 million (2007: RMB250 million), all of which are due before 24 June 2009 (2007: before 25 June 2008). As at 31 December 2007 and 31 December 2008, the Company has no outstanding endorsed or discounted bills.

For the current year, the Group and the Company do no have any 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 the Company included in the balance of bills receivable.

9 TRADE RECEIVABLES

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Customers (non related party)	**1,982,825**	2,042,519	**1,645**	57,385
Less:Provision for bad and doubtful debts	**(32,633)**	(23,337)	**—**	—
Total	**1,950,192**	2,019,182	**1,645**	57,385

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

9 TRADE RECEIVABLES (continued)

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

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

	The Group		The Company	
	2008	2007	**2008**	2007
Amount *(RMB'000)*	**1,656,822**	1,877,565	**1,645**	57,385
Past due	**1 month to 6 years**	1 month to 5 years	**Within one month**	Within one month
Percentage of total trade receivables	**83.56%**	91.92%	**100.00%**	100.00%

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year (including one year)	**1,941,676**	1,996,092	**1,645**	57,385
Between one and two years (including two years)	**383**	506	**—**	—
Between two and three years (including three years)	**—**	13,870	**—**	—
Over three years	**40,766**	32,051	**—**	—
Sub-total	**1,982,825**	2,042,519	**1,645**	57,385
Less:Provision for bad and doubtful debts	**(32,633)**	(23,337)	**—**	—
Total	**1,950,192**	2,019,182	**1,645**	57,385

The ageing is counted starting from the date trade receivables are recognised.

9 TRADE RECEIVABLES (continued)

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

The Group

	2008				2007			
	Amount	Percentage of trade receivables	Provision	Percentage of provision	Amount	Percentage of trade receivables	Provision	Percentage of provision
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Individually significant amounts	**1,921,280**	**96.90%**	**32,633**	**1.70%**	2,005,255	98.18%	23,091	1.15%
Other insignificant trade receivables	**61,545**	**3.10%**	**—**	**—**	37,264	1.82%	246	0.66%
Total	**1,982,825**	**100.00%**	**32,633**	**1.65%**	2,042,519	100.00%	23,337	1.14%

The Company

	2008				2007			
	Amount	Percentage of trade receivables	Provision	Percentage of provision	Amount	Percentage of trade receivables	Provision	Percentage of provision
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Individually significant amounts	**—**	**—**	**—**	**—**	57,385	100.00%	—	—
Other insignificant trade receivables	**1,645**	**100.00%**	**—**	**—**	—	—	—	—
Total	**1,645**	**100.00%**	**—**	**—**	57,385	100.00%	—	—

9 TRADE RECEIVABLES (continued)

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

The Group and the Company do not make provision for bad and doubtful debts in full or in significant portion on individually significant trade receivables.

The Group and the Company do not write-off or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant trade receivables in previous years.

The Group and the Company do not have any individually significant trade receivables which have an age of over 3 years.

10 PREPAYMENTS

The ageing analysis of prepayments is as follows:

	2008		2007	
	Amount	**Proportion**	Amount	Proportion
	RMB'000		*RMB'000*	
The Group				
Within one year (including one year)	**168,434**	**99.09%**	276,123	98.81%
Between one and two years (including two years)	**1,421**	**0.83%**	3,316	1.19%
Between two and three years (including three years)	**130**	**0.08%**	—	—
Total	**169,985**	**100.00%**	279,439	100.00%

10 PREPAYMENTS (continued)

The ageing analysis of prepayments is as follows: (continued)

	2008		2007	
	Amount	**Proportion**	Amount	Proportion
	RMB'000		*RMB'000*	
The Company				
Within one year (including one year)	**18,712**	**100.00%**	219,929	99.05%
Between one and two years (including two years)	**—**	**—**	2,106	0.95%
Total	**18,712**	**100.00%**	222,035	100.00%

The ageing is counted starting from the date prepayments are recognised.

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

11 OTHER RECEIVABLES

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Designated loans due from subsidiaries	**—**	—	**150,000**	—
Amounts due from subsidiaries	**—**	—	**324,078**	31,262
Others	**213,205**	38,926	**30,043**	13,013
Sub-total	**213,205**	38,926	**504,121**	44,275
Less:Provision for bad and doubtful debts	**(3,285)**	(4,366)	**(2,530)**	(2,524)
Total	**209,920**	34,560	**501,591**	41,751

11 OTHER RECEIVABLES (continued)

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

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	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amount *(RMB'000)*	**164,170**	14,613	**433,800**	33,529
Past due	**6 months to 1 year**	6 months to 10 years	**6 months to 1 year**	6 months to 10 years
Percentage of total other receivables	**77.00%**	37.54%	**86.05%**	75.73%

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within one year (including one year)	**205,965**	18,714	**500,074**	35,039
Between one and two years (including two years)	**1,554**	6,930	**737**	5,091
Between two and three years (including three years)	**1,876**	1,177	**513**	1,133
Over three years	**3,810**	12,105	**2,797**	3,012
Sub-total	**213,205**	38,926	**504,121**	44,275
Less:Provision for bad and doubtful debts	**(3,285)**	(4,366)	**(2,530)**	(2,524)
Total	**209,920**	34,560	**501,591**	41,751

The ageing is counted starting from the date other receivables are recognised.

11 OTHER RECEIVABLES (continued)

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

The Group

	2008				2007			
	Amount	Percentage of other receivables	Provision	Percentage of provision	Amount	Percentage of other receivables	Provision	Percentage of provision
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Individually significant amounts	**179,079**	**83.99%**	**2,266**	**1.27%**	20,522	52.72%	3,331	16.23%
Other insignificant other receivables	**34,126**	**16.01%**	**1,019**	**2.99%**	18,404	47.28%	1,035	5.62%
Total	**213,205**	**100.00%**	**3,285**	**1.54%**	38,926	100.00%	4,366	11.22%

The Company

	2008				2007			
	Amount	Percentage of other receivables	Provision	Percentage of provision	Amount	Percentage of other receivables	Provision	Percentage of provision
	RMB'000		*RMB'000*		*RMB'000*		*RMB'000*	
Individually significant amounts	**491,946**	**97.58%**	**2,266**	**0.46%**	34,342	77.57%	2,266	6.60%
Other insignificant other receivables	**12,175**	**2.42%**	**264**	**2.17%**	9,933	22.43%	258	2.60%
Total	**504,121**	**100.00%**	**2,530**	**0.50%**	44,275	100.00%	2,524	5.70%

The Group and the Company do not make provision for bad and doubtful debts in full or in significant portion on individually significant other receivables.

The Group and the Company do not write-off or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant other receivables in previous years.

The Group and the Company do not have any individually significant other receivables which have an age of over 3 years.

12 INVENTORIES

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

	Opening balance	Increase for the year	Decrease for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Coal and stalk	373,039	23,890,330	(22,902,353)	1,361,016
Fuel oil	54,392	263,184	(247,506)	70,070
Materials, components and spare parts	389,881	828,028	(791,195)	426,714
Sub-total	817,312	24,981,542	(23,941,054)	1,857,800
Less: Provision for diminution in value of inventories	(76,039)	(1,801)	2,200	(75,640)
Total	741,273	24,979,741	(23,938,854)	1,782,160

	Opening balance	Increase for the year	Decrease for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Company				
Coal and stalk	35,384	6,456,751	(6,268,988)	223,147
Fuel oil	16,417	69,272	(60,849)	24,840
Materials, components and spare parts	197,770	216,615	(210,105)	204,280
Sub-total	249,571	6,742,638	(6,539,942)	452,267
Less: Provision for diminution in value of inventories	(54,288)	(180)	—	(54,468)
Total	195,283	6,742,458	(6,539,942)	397,799

12 INVENTORIES (continued)

(2) Analysis of provision for diminution in value of inventories is as follows:

	Opening balance	Provision made for the year	Written back for the year		Closing balance
			Reversal	Write-off	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group					
Materials, components and spare parts	76,039	1,801	(30)	(2,170)	75,640
The Company					
Materials, components and spare parts	54,288	180	—	—	54,468

13 OTHER CURRENT ASSETS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
VAT recoverable	**496,290**	74,779	**30,032**	—
Prepaid city maintenance and construction tax	**3,480**	—	**849**	—
Prepaid EIT	**49,723**	22,343	**23,907**	—
Others	**1,165**	10,049	**83**	—
Total	**550,658**	107,171	**54,871**	—

14 LONG-TERM EQUITY INVESTMENTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Investments in subsidiaries	**—**	—	**9,897,624**	7,431,640
Investment in jointly controlled entity	**221,817**	218,228	**221,817**	218,228
Investments in associates	**1,952,983**	1,881,530	**1,664,756**	1,655,911
Other long-term equity investments	**487,909**	153,139	**455,309**	140,539
Sub-total	**2,662,709**	2,252,897	**12,239,506**	9,446,318
Less:Provision for impairment	**—**	—	**—**	—
Total	**2,662,709**	2,252,897	**12,239,506**	9,446,318

(1) At 31 December 2008, the Company's investments in major subsidiaries are as follows:

	Initial investment cost	Movement of investment costs			
		Opening balance	Additions	Disposal	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Guangan Company	1,267,577	1,267,577	—	—	1,267,577
Qingdao Company	345,668	345,668	—	—	345,668
Weifang Company	823,483	823,483	—	—	823,483
Zibo Thermal Power Company	374,800	374,800	—	—	374,800
Zhangqiu Company	617,077	617,077	—	—	617,077
Tengzhou Thermal Power Company	424,400	424,400	—	—	424,400
Xinxiang Company	372,100	372,100	—	—	372,100
Suzhou Company	518,017	318,017	200,000	—	518,017
Lingwu Company	390,000	390,000	—	—	390,000
Luding Hydropower Company	266,090	207,290	58,800	—	266,090
Wuhu Company	348,046	98,546	249,500	—	348,046
Zouxian Company	2,070,000	2,070,000	—	—	2,070,000
Shijiazhuang Thermal Power Company	908,511	—	908,511	—	908,511
Banshan Company	386,724	—	386,724	—	386,724
Za-gunao Hydropower Company	449,529	—	449,529	—	449,529
Other subsidiaries	335,602	122,682	222,920	(10,000)	335,602
Total	9,897,624	7,431,640	2,475,984	(10,000)	9,897,624

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

14 LONG-TERM EQUITY INVESTMENTS (continued)

(2) As at 31 December 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 investment cost	
Opening balance	218,228
Add: Adjustments under equity method	27,209
Less: Cash dividends declared	(23,620)
Closing balance	221,817

Details of the jointly controlled entity of the Group and the Company is as follows:

Investee name	Organisation Code	Registered address	Principal operation	Registered capital	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	Closing balance of total liabilities	Operating income for the year	Net profit for the year
				RMB'000			*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Zhongning Company	73597054-2	Yinchuan, the PRC	Generation and sale of electricity	285,600	50%	50%	2,108,202	1,664,569	761,601	54,418

14 LONG-TERM EQUITY INVESTMENTS (continued)

(3) As at 31 December 2008, the investments in principal associates of the Group and the Company are listed as follows:

The principal associates of the Group and the Company

The Group

Investee name	Initial investment cost	Opening balance	Additions in investment	Adjustments under equity method: Gain/(loss) in investment	Adjustments under equity method: Transfer of capital reserve	Cash dividends receivable/ received	Closing balance
	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	—	31,355	1,010	—	348,254
Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company")	258,940	248,375	—	(87,711)	—	—	160,664
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	—	(175,939)	—	—	153,555
Huadian Coal Industry Group Company Limited ("Huadian Coal")	335,000	381,817	—	54,970	—	(37,201)	399,586
Zoucheng Lunan Electric Power Technology Development Company Limited ("Zoucheng Lunan")	1,733	2,247	—	(37)	—	—	2,210
China Huadian Finance Corporation Limited ("China Huadian Finance")	361,110	236,655	188,750	42,039	(19,058)	(10,875)	437,511

14 LONG-TERM EQUITY INVESTMENTS (continued)

(3) As at 31 December 2008, the investments in principal associates of the Group and the Company are listed as follows: (continued)

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

The Group (continued)

Investee name	Initial investment cost	Opening balance	Additions in investment	Adjustments under equity method: Gain/(loss) in investment	Adjustments under equity method: Transfer of capital reserve	Cash dividends receivable/ received	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
China Huadian Group New Energy Development Company Limited ("Huadian New Energy")	99,605	40,000	59,605	(1,491)	—	—	98,114
Huadian Jinshajiang Upstream Hydropower Development Co., Ltd. ("Jinshajiang Hydropower Company")	6,000	—	6,000	—	—	—	6,000
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	139,210	44,910	20,000	—	—	—	64,910
Shijiazhuang Huadian Heat Company Limited ("Shijiazhuang Heat Company")	117,143	117,143	—	988	—	(952)	117,179
Total of the Group	2,107,741	1,881,530	274,355	(135,826)	(18,048)	(49,028)	1,952,983

14 LONG-TERM EQUITY INVESTMENTS (continued)

(3) As at 31 December 2008, the investments in principal associates of the Group and the Company are listed as follows: (continued)

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

The Company

Investee name	Initial investment cost	Opening balance	Additions in investment	Adjustments under equity method: Gain/(loss) in investment	Adjustments under equity method: Transfer of capital reserve	Cash dividends receivable/ received	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Ningxia Power Company	280,000	315,889	—	31,355	1,010	—	348,254
Chizhou Company	258,940	248,375	—	(87,711)	—	—	160,664
Huadian Property	165,000	165,000	—	—	—	—	165,000
Luzhou Company	344,000	329,494	—	(175,939)	—	—	153,555
Huadian Coal	315,000	359,054	—	51,693	—	(34,984)	375,763
Zoucheng Lunan	1,733	2,247	—	(37)	—	—	2,210
China Huadian Finance	296,548	195,852	149,188	34,875	(15,719)	(9,000)	355,196
Huadian New Energy	99,605	40,000	59,605	(1,491)	—	—	98,114
Jinshajiang Hydropower Company	6,000	—	6,000	—	—	—	6,000
Total of the Company	1,766,826	1,655,911	214,793	(147,255)	(14,709)	(43,984)	1,664,756

14 LONG-TERM EQUITY INVESTMENTS (continued)

(3) As at 31 December 2008, the investments in principal associates of the Group and the Company are listed as follows: (continued)

Details of the Group's and the Company's principal associates are as follows:

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets	Closing balance of total liabilities	Operating income for the year	Net profit/(loss) for the year
				RMB'000				*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company and the Group											
Ningxia Power Company	78085052	Yinchuan, the PRC	Generation and sale of electricity, and investment holding	900,000	31.11%	31.11%	31.11%	9,874,796	8,517,553	2,450,132	100,788
Chizhou Company	750999669	Chizhou, the PRC	Generation and sale of electricity	640,000	40%	40%	40%	2,188,323	1,786,668	877,310	(219,278)
Huadian Property	77545281-1	Beijing, the PRC	Property development (under construction)	550,000	30%	30%	30%	2,742,648	2,073,648	—	—
Luzhou Company	76728573-4	Luzhou, the PRC	Generation and sale of electricity	600,000	40%	40%	40%	4,821,989	4,383,099	521,491	(439,848)
Huadian Coal	71093361-4	Beijing, the PRC	Provision of coal procurement service	1,560,000	20.19%	21.24%	21.47%	6,530,327	4,233,366	3,744,382	281,459

14 LONG-TERM EQUITY INVESTMENTS (continued)

(3) As at 31 December 2008, the investments in principal associates of the Group and the Company are listed as follows: (continued)

Details of the Group's and the Company's principal associates are as follows: (continued)

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets	Closing balance of total liabilities	Operating income for the year	Net profit/ (loss) for the year
				RMB'000				*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company and the Group (continued)											
Zoucheng Lunan	16613151-0	Zoucheng, the PRC	Provision of technical service for electricity and other services	4,333	40%	40%	40%	16,694	11,170	62,711	(94)
China Huadian Finance	11778303-7	Beijing, the PRC	Provision of corporate financial service to its group companies	1,390,000	20.46%	23.50%	25.21%	13,600,888	11,852,734	680,121	152,477
Huadian New Energy	71093502-X	Beijing, the PRC	Investment, development and management of new energy projects	200,000	20%	20%	20%	3,505,724	2,746,128	166,283	(7,455)

14 LONG-TERM EQUITY INVESTMENTS (continued)

(3) As at 31 December 2008, the investments in principal associates of the Group and the Company are listed as follows: (continued)

Details of the Group's and the Company's principal associates are as follows: (continued)

Investee name	Organisation code	Place of registration	Principal operation	Registered capital	Percentage of equity interest held by the Company	Percentage of equity interest held by the Group	Percentage of voting power in investee unit held by the Group and the Company	Closing balance of total assets	Closing balance of total liabilities	Operating income for the year	Net profit/ (loss) for the year
				RMB'000				*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Company and the Group (continued)											
Jinshajiang Hydropower Company	78911988-4	Chengdu, the PRC	Generation and sale of electricity (under construction)	50,000	20%	20%	20%	372,705	342,705	—	—
Longtan Coal Company	74692267-7	Guangan, the PRC	Development of coal mines and sale of coal (under construction)	36,000	—	36%	45%	551,582	418,028	—	—
Shijiazhuang Heat Company	71836417-X	Shijiazhuang, the PRC	Generation and sale of heat	207,370	—	40.18%	49%	783,482	544,589	620,408	1,687

14 LONG-TERM EQUITY INVESTMENTS (continued)

(4) As at 31 December 2008, the investments in principal other long-term equity investments of the Group and the Company are listed as follows:

Investee name	Initial investment cost	Opening balance	Additions in investment	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Shandong Luneng Heze Coal Power Development Company Limited	103,609	91,339	12,270	103,609
Shanxi Jinzhongnan Railway Coal Distribution Company Limited	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	7,500	5,000	2,500	7,500
Ningdong Railway Corporation Limited	300,000	—	300,000	300,000
Total of the Company	455,309	140,539	314,770	455,309
Sichuan Huayingshan Coal Company Limited	20,000	—	20,000	20,000
Others	12,600	12,600	—	12,600
Total of the Group	487,909	153,139	334,770	487,909

15 FIXED ASSETS

	The Group			
	Plants and buildings	Generators and related machinery and equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
Opening balance for the year	17,684,015	58,268,606	1,295,542	77,248,163
Additions for the year	1,642	10,783	51,249	63,674
Transfer from acquisition of subsidiaries	1,055,856	267,608	25,879	1,349,343
Transfer from construction in progress *(note 16)*	1,363,947	4,018,727	57,925	5,440,599
Disposals for the year	(102,471)	(637,302)	(42,418)	(782,191)
Closing balance for the year	20,002,989	61,928,422	1,388,177	83,319,588
Less: Accumulated depreciation:				
Opening balance for the year	(4,346,914)	(14,448,088)	(654,639)	(19,449,641)
Charge for the year	(649,062)	(3,051,069)	(112,228)	(3,812,359)
Written-back on disposals	98,977	620,373	37,968	757,318
Closing balance for the year	(4,896,999)	(16,878,784)	(728,899)	(22,504,682)
Net book value:				
Closing balance for the year	15,105,990	45,049,638	659,278	60,814,906
Opening balance for the year	13,337,101	43,820,518	640,903	57,798,522

15 FIXED ASSETS (continued)

	The Company			
	Plants and buildings	Generators and related machinery and equipment	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
Opening balance for the year	4,925,805	14,333,784	500,189	19,759,778
Additions for the year	—	1,797	14,957	16,754
Transfer from construction in progress *(note 16)*	43,166	245,595	16,576	305,337
Disposals for the year	(18,545)	(360,093)	(28,224)	(406,862)
Closing balance for the year	4,950,426	14,221,083	503,498	19,675,007
Less: Accumulated depreciation:				
Opening balance for the year	(1,959,724)	(7,595,726)	(275,596)	(9,831,046)
Charge for the year	(194,425)	(752,523)	(31,952)	(978,900)
Written-back on disposals	17,782	349,286	22,671	389,739
Closing balance for the year	(2,136,367)	(7,998,963)	(284,877)	(10,420,207)
Net book value:				
Closing balance for the year	2,814,059	6,222,120	218,621	9,254,800
Opening balance for the year	2,966,081	6,738,058	224,593	9,928,732

15 FIXED ASSETS (continued)

At 31 December 2008, the Group's and the Company's assets pending disposal due to closing down of small-scale thermal generators are set out as below:

	Cost	Accumulated depreciation	Net book value	Fair value	Estimated disposal cost	Estimated disposal time
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
The Group and the Company						
Plants and buildings	27,386	27,386	—	—	10,200	End of 2009
Generators and related machinery and equipment	287,016	287,016	—	14,000	2,800	End of 2009
Others	2,609	2,609	—	—	—	End of 2009
Total	317,011	317,011	—	14,000	13,000	

16 CONSTRUCTION IN PROGRESS AND CONSTRUCTION MATERIALS

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

Project	Budgeted amount	Opening balance	Additions/ (Decreases) for the year	Acquisition of subsidiary	Transfer to fixed assets	Transfer to a subsidiary	Closing balance	Proportion to budget	Source of funds
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		
The Company									
Desulphurisation, technical improvement projects and others	—	473,285	748,796	—	(305,337)	(171,062)	745,682	—	Self-financing and bank loans
Total of the Company		473,285	748,796	—	(305,337)	(171,062)	745,682		

16 CONSTRUCTION IN PROGRESS AND CONSTRUCTION MATERIALS (continued)

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

Project	Budgeted amount	Opening balance	Additions/ (Decreases) for the year	Acquisition of subsidiary	Transfer to fixed assets	Transfer to a subsidiary	Closing balance	Proportion to budget	Source of funds
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
Subsidiaries									
Guangan Company Phase III generating units	4,106,596	15,327	281,416	—	—	—	296,743	90.1%	Self-financing and bank loans
Weifang Company Phase II generating units	4,202,210	35,813	1,250	—	(33,329)	—	3,734	96.9%	Self-financing and bank loans
Suzhou Biomass Energy Power Company straw-fired thermal power plant project	293,800	17,277	222,775	—	(237,308)	—	2,744	81.7%	Self-financing and bank loans
Wuhu Company generating units	4,506,280	1,901,481	2,042,253	—	(3,943,734)	—	—	87.5%	Self-financing and bank loans
Ningdong Wind Power Company generating units	418,530	413	700	—	—	—	1,113	88.4%	Self-financing and bank loans
Zouxian Company generating units	7,075,427	295,844	94,803	—	—	—	390,647	97.5%	Self-financing and bank loans
Laizhou Wind Power Company generating units	438,180	—	276,973	—	(342,277)	65,374	70	78.1%	Self-financing and bank loans
Luohe Company Phase I generating units	2,784,980	—	86,539	—	—	80,636	167,175	6.0%	Self-financing and bank loans
Kailu Wind Power Company Yihetala Phase I generating units	485,640	—	19,302	—	—	6,585	25,887	5.3%	Self-financing and bank loans

16 CONSTRUCTION IN PROGRESS AND CONSTRUCTION MATERIALS (continued)

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

Project	Budgeted amount	Opening balance	Additions/ (Decreases) for the year	Acquisition of subsidiary	Transfer to fixed assets	Transfer to a subsidiary	Closing balance	Proportion to budget	Source of funds
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*		
Subsidiaries (continued)									
Kailu Wind Power Company Beiqinghe generating units	2,421,570	—	4,885	—	—	20,513	25,398	1.0%	Self-financing and bank loans
Shijiazhuang Yuhua Thermal Power Company project	2,731,620	576,298	830,945	—	—	—	1,407,243	51.5%	Self-financing and bank loans
Za-gunao Hydroelectric Company Shiziping hydroelectric project	2,950,000	—	184,528	1,698,797	—	—	1,883,325	63.8%	Self-financing and bank loans
Za-gunao Hydroelectric Company Old city hydroelectric project	1,490,000	—	117,432	786,700	—	—	904,132	60.7%	Self-financing and bank loans
Project materials	—	619,243	(612,361)	—	—	—	6,882	—	Self-financing and bank loans
Desulphurisation, technical improvement projects and others	2,144,760	1,083,105	1,828,066	19,088	(578,614)	(2,046)	2,349,599	—	Self-financing and bank loans
Sub-total of subsidiaries		4,544,801	5,379,506	2,504,585	(5,135,262)	171,062	7,464,692		
Total of the Group		5,018,086	6,128,302	2,504,585	(5,440,599)	—	8,210,374		
				(note 6(3))	(note 15)				

The Group's and the Company's carrying amount of construction in progress at the end of the year included capitalised borrowing cost of RMB869 million and RMB72.14 million respectively (2007: RMB163 million and RMB18.78 million respectively). The interest rate per annum at which the borrowing costs were capitalised for the year by the Group and the Company were 6.26% and 6.40% respectively (2007: 5.62% and 5.57% respectively).

17 INTANGIBLE ASSETS

	The Group	The Company
	RMB'000	*RMB'000*
Cost:		
Opening balance	1,298,779	232,615
Additions for the year	48,697	8,836
Additions from acquisition of subsidiaries	49,084	—
Closing balance	1,396,560	241,451
Less: Accumulated amortisation:		
Opening balance	(167,889)	(63,562)
Charge for the year	(34,370)	(13,505)
Closing balance	(202,259)	(77,067)
Net book value:		
Closing balance	1,194,301	164,384
Opening balance	1,130,890	169,053

Intangible assets mainly represent land use rights. The land use rights of the Group and the Company are mainly obtained through acquisitions.

At 31 December 2008, the remaining amortisation period of land use rights are ranging from 3 to 63 years.

As at 31 December 2008, the Group's total land use rights with indefinite life amounted to RMB400,467,000. They were mainly land use rights assigned by the PRC's land bureau with indefinite land use period. The Group had performed impairment test to those land use rights, and according to the test results, no impairment was considered necessary for the current year. As at 31 December 2008, the Company has no intangible assets with indefinite useful life.

18 GOODWILL

	The Group	The Company
	RMB'000	*RMB'000*
Opening balance	37,511	12,111
Additions *(note 6(3))*	16,011	—
Closing balance	53,522	12,111

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

Other than the abovementioned goodwill of the Company, 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.

19 DEFERRED TAX ASSETS AND LIABILITIES

The Group

	Deferred tax assets and liabilities				
	Opening balance	Movement charged to income statement	Acquisition of subsidiaries	Closing balance	Temporary difference closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Provision for stock and bad debt	23,841	1,042	—	24,883	111,183
Amortisation of pre-operating expenses	18,249	6,035	—	24,284	100,133
Accrued salary expenses	26,841	(2,409)	—	24,432	97,728
Tax losses	4,205	257,211	—	261,416	1,045,661
Fair value adjustment	(112,966)	9,742	(21,604)	(124,828)	(597,698)
Depreciation of fixed assets	(505,834)	(130,643)	—	(636,477)	(2,545,904)
Capitalised interests	(25,562)	1,231	—	(24,331)	(99,096)
Long-term equity investment	(62,280)	—	—	(62,280)	(249,120)
Unrealised exchange gain	—	(29,868)	—	(29,868)	(119,472)
Others	678	1,625	—	2,303	9,218
Total	(632,828)	113,966	(21,604)	(540,466)	(2,247,367)

19 DEFERRED TAX ASSETS AND LIABILITIES (continued)

The Company

	Deferred tax assets and liabilities			
	Opening balance	Movement charged to income statement	Closing balance	Temporary difference closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Provision for stock and bad debt	14,203	47	14,250	56,998
Accrued salary expenses	7,023	—	7,023	28,093
Tax losses	—	28,700	28,700	114,801
Long-term equity investment	(62,280)	—	(62,280)	(249,120)
Unrealised exchange gain	—	(28,700)	(28,700)	(114,801)
Total	(41,054)	47	(41,007)	(164,029)

At 31 December, the net value of deferred tax assets and liabilities in the balance sheet are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net deferred tax assets	**269,418**	90,538	**—**	—
Net deferred tax liabilities	**(809,884)**	(723,366)	**(41,007)**	(41,054)
Total	**(540,466)**	(632,828)	**(41,007)**	(41,054)

According to the accounting policy stated in note 3(13), as at 31 December 2008, the Group's and the Company's tax losses not recognised as deferred tax assets amounted to RMB2,810,589,000 and RMB507,893,000 respectively (2007: RMB0 and RMB0 respectively). According to the current tax law, these tax deductible losses will be expired in 2013.

20 IMPAIRMENT OF ASSETS

Impairment of assets of the Group as at 31 December 2008 is summarised as follows:

	Note	Opening balance RMB'000	Charge for the year RMB'000	Decrease for the year: Reversal RMB'000	Decrease for the year: Write off RMB'000	Closing balance RMB'000
Bad debt provision						
— Trade receivables	9	23,337	9,542	(246)	—	32,633
— Other receivables	11	4,366	6	(23)	(1,064)	3,285
Stock provision	12	76,039	1,801	(30)	(2,170)	75,640
Total		103,742	11,349	(299)	(3,234)	111,558

Impairment of assets of the Company as at 31 December 2008 is summarised as follows:

	Note	Opening balance RMB'000	Charge for the year RMB'000	Decrease for the year: Reversal RMB'000	Decrease for the year: Write off RMB'000	Closing balance RMB'000
Bad debt provision						
— Other receivables	11	2,524	6	—	—	2,530
Stock provision	12	54,288	180	—	—	54,468
Total		56,812	186	—	—	56,998

There was no significant impairment loss recognised during the year.

21 RESTRICTED ASSETS

At 31 December 2008, the Group's and the Company's assets with restriction placed on their ownership are as follows:

Type	Note	Opening balance RMB'000	Increase for the year RMB'000	Decrease for the year RMB'000	Closing balance RMB'000
The Group					
Assets used as guarantee					
— Cash at bank and on hand	7	19,950	—	(15,159)	4,791
— Trade receivables	22/29	51,280	2,642,556	(1,445,292)	1,248,544
Total		71,230	2,642,556	(1,460,451)	1,253,335

Type	Note	Opening balance RMB'000	Increase for the year RMB'000	Decrease for the year RMB'000	Closing balance RMB'000
The Company					
Assets used as guarantee					
— Trade receivables	22	—	900,511	(450,004)	450,507
— Long-term equity investment	14	—	1,760,446	—	1,760,446
Total		—	2,660,957	(450,004)	2,210,953

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

The Company's long-term equity investment used as guarantee represents interests in relevant subsidiaries pledged for investment payable to China Huadian.

22 SHORT-TERM LOANS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unsecured loans	**10,772,134**	10,034,192	**4,517,684**	1,906,972
Loans guaranteed by third party enterprises	**325,000**	—	**300,000**	—
Secured loans	**909,000**	50,000	**450,000**	—
Total	**12,006,134**	10,084,192	**5,267,684**	1,906,972

The secured loans were secured by the Group's and the Company's trade receivables.

The Group

	2008			2007		
	Annual interest rate	**Original currency**	**Renminbi/ Renminbi equivalent**	Annual interest rate	Original currency	Renminbi/ Renminbi equivalent
		'000	***'000***		*'000*	*'000*
Short-term bank loans						
Renminbi	**4.37%-7.47%**		**9,491,484**	5.02%-7.47%		7,678,377
US dollars	**5.13%-7.76%**	**65,139**	**445,200**	6.08%-6.14%	65,139	475,815
Short-term Renminbi other loans *(note (i))*	**4.78%-7.47%**		**1,409,450**	5.70%-6.56%		1,930,000
Short-term Renminbi shareholder loans *(note (ii))*	**7.23%**		**660,000**	—		—
			12,006,134			10,084,192

22 SHORT-TERM LOANS (continued)

The Company

	2008			2007		
	Annual interest rate	**Original currency**	**Renminbi/ Renminbi equivalent**	Annual interest rate	Original currency	Renminbi/ Renminbi equivalent
		'000	**'000**		'000	'000
Short-term bank loans						
Renminbi	**4.54%-5.58%**		**3,772,484**	5.59%-6.56%		1,381,157
US dollars	**5.13%-7.76%**	**65,139**	**445,200**	6.08%-6.14%	65,139	475,815
Short-term Renminbi other loans *(note (i))*	**4.78%-6.92%**		**550,000**	5.91%		50,000
Short-term Renminbi shareholder loans *(note (ii))*	**7.23%**		**500,000**	—		—
			5,267,684			1,906,972

22 SHORT-TERM LOANS (continued)

Notes:

(i) Short-term Renminbi other loans

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
China Huadian Finance	**800,000**	1,200,000	**200,000**	—
Huadian Coal	**—**	500,000	**—**	—
CHD Operation	**—**	30,000	**—**	—
Loans from subsidiaries	**—**	—	**50,000**	50,000
Others	**609,450**	200,000	**300,000**	—
	1,409,450	1,930,000	**550,000**	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%.

(ii) Short-term Renminbi shareholder loans

Shareholder loans were borrowed from China Huadian. The interest rates were determined according to their own costs of financing. The interest rate as at 31 December 2008 was 7.23% per annum.

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 short-term loans.

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 31 December 2008, the Group and the Company do not have any individually significant trade payable with ageing over one year.

25 WAGES PAYABLE

	Opening balance	Additions for the year	Payment for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group				
Wages, bonuses, allowances and subsidies	151,254	880,759	(880,506)	151,507
Staff welfare	—	58,485	(58,485)	—
Social insurance expenses				
Medical insurance	6,212	111,722	(108,125)	9,809
Basic pension	5,542	259,669	(259,848)	5,363
Supplementary pension	114	27,941	(27,773)	282
Unemployment insurance	2,958	24,669	(24,658)	2,969
Industrial injury insurance	281	6,826	(6,947)	160
Maturity insurance	5	4,243	(4,231)	17
Housing fund	2,433	222,892	(222,777)	2,548
Labour union and staff education fund	20,927	38,965	(40,551)	19,341
Termination benefits	21,613	—	(4,240)	17,373
Others	1,596	84,728	(85,886)	438
Total	212,935	1,720,899	(1,724,027)	209,807

	Opening balance	Additions for the year	Payment for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Company				
Wages, bonuses, allowances and subsidies	28,093	282,291	(282,291)	28,093
Staff welfare	—	21,029	(21,029)	—
Social insurance expenses				
Medical insurance	376	29,779	(29,509)	646
Basic pension	94	81,162	(80,950)	306
Supplementary pension	50	6,740	(6,705)	85
Unemployment insurance	1,541	8,661	(8,627)	1,575
Industrial injury insurance	4	2,204	(2,204)	4
Maturity insurance	—	1,186	(1,185)	1
Housing fund	567	62,917	(63,419)	65
Labour union and staff education fund	4,155	12,613	(11,891)	4,877
Others	69	30,482	(30,551)	—
Total	34,949	539,064	(538,361)	35,652

26 OTHER PAYABLES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts due to China Huadian	**964,096**	16,080	**958,996**	8,675
Amounts due to subsidiaries	**—**	—	**421,632**	369,857
Amounts due to other related parties	**12,886**	19,586	**—**	11
Amounts due to unrelated parties	**1,990,366**	2,061,697	**187,924**	138,268
	2,967,348	2,097,363	**1,568,552**	516,811

Amounts due to unrelated parties mainly represent quality guarantee deposits of constructions.

Except for amounts 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 31 December 2008, except for quality guarantee deposits of constructions, the Group and the Company do not have any individually significant payable items with ageing over one year.

27 SHORT-TERM DEBENTURE PAYABLES

	Opening balance	Additions for the year	Decrease for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group and the Company				
Short-term debentures	3,985,759	3,660,837	(5,040,798)	2,605,798

27 SHORT-TERM DEBENTURE PAYABLES (continued)

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

	Period and annual interest rate	Date of issuance	Total face amount	Discount	Amortisation	Closing balance
			RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group and the Company						
The first tranche of 2007 short-term debentures	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	—
The first tranche of 2008 short-term debentures	From 17 March 2008 to16 December 2008, effective annual interest rate of 5.79%	17 March 2008	1,000,000	(3,000)	3,000	—
The second tranche of 2008 short-term debentures	From 17 March 2008 to 18 March 2009, effective annual interest rate of 5.89%	17 March 2008	2,500,000	(10,000)	115,798	2,605,798

27 SHORT-TERM DEBENTURE PAYABLES (continued)

On 8 May 2007, the Company issued 272-day short-term debentures with par value of RMB100 each, totalling RMB4 billion. The coupon rate was 3.38% per annum and the principal amount was repaid on maturity.

On 17 March 2008, the Company issued the first and second tranches of 2008 short-term debentures. The first tranche is 273-day short-term debentures with par value of RMB100 each, totalling RMB1 billion. The coupon rate was 5.38% per annum and the principal and interests were repaid on maturity. The second tranche is 365-day short-term debentures with par value of RMB100 each, totalling RMB2.5 billion. The coupon rate was 5.45% per annum and the principal and interests were repaid on maturity.

28 LONG-TERM LOANS DUE WITHIN ONE YEAR

	The Group				The Company			
	2008		2007		**2008**		2007	
	Original currency	**Renminbi/ Renminbi equivalent**	Original currency	Renminbi/ Renminbi equivalent	**Original currency**	**Renminbi/ Renminbi equivalent**	Original currency	Renminbi/ Renminbi equivalent
	'000	***'000***	*'000*	*'000*	***'000***	***'000***	*'000*	*'000*
Bank loans								
Renminbi		**3,613,060**		1,704,108		**120,000**		100,000
US dollars	**100,500**	**686,877**	15,312	111,847	**100,000**	**683,460**	14,712	107,464
Euros	**1,356**	**13,100**	1,356	14,466		**—**		—
State loans								
US dollars	**1,491**	**10,192**	1,382	10,095	**1,491**	**10,192**	1,382	10,095
Other loans								
Renminbi		**338,440**		267,066		**—**		—
US dollars	**2,307**	**15,772**	2,307	16,856		**—**		—
		4,677,441		2,124,438		**813,652**		217,559
		(note 29(b))		*(note 29(b))*		*(note 29(b))*		*(note 29(b))*

Please refer to note 29 for details of loans.

29 LONG-TERM LOANS

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans				
Between one and two years (including two years)	**5,412,235**	3,756,668	**630,000**	730,461
Between two and five years (including five years)	**10,429,290**	7,030,328	**340,000**	—
Over five years	**20,220,286**	12,990,469	**—**	—
	36,061,811	23,777,465	**970,000**	730,461
Shareholder loans				
Between one and two years (including two years)	**570,603**	—	**335,000**	—
Between two and five years (including five years)	**290,925**	585,000	**286,878**	585,000
Over five years	**1,090,000**	1,090,000	**—**	—
	1,951,528	1,675,000	**621,878**	585,000
State loans				
Between one and two years (including two years)	**12,904**	10,892	**12,013**	10,892
Between two and five years (including five years)	**23,868**	36,866	**21,196**	34,194
Over five years	**13,363**	15,273	**7,126**	8,145
	50,135	63,031	**40,335**	53,231
Other loans				
Between one and two years (including two years)	**298,592**	353,464	**—**	—
Between two and five years (including five years)	**1,540,860**	376,351	**200,000**	—
Over five years	**467,117**	219,995	**—**	—
	2,306,569	949,810	**200,000**	—
	40,370,043	26,465,306	**1,832,213**	1,368,692

29 LONG-TERM LOANS (continued)

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

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.

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

The Group

	Interest rate and period	2008 Original currency	2008 Renminbi/ Renminbi equivalent	2007 Original currency	2007 Renminbi/ Renminbi equivalent
		'000	'000	'000	'000
Long-term bank loans					
Renminbi loans	Interest rates mainly ranging from 3.60% to 7.83% per annum as at 31 December 2008 (2007: 3.60% to 7.38%), with maturities up to 2028		39,475,525		24,515,496
US dollars loans	Interest rates mainly ranging from 3.26% to 6.32% per annum as at 31 December 2008 (2007: 5.63% to 6.11%), with maturities up to 2017	106,477	727,723	121,625	888,418
Euros loans	Interest rates mainly at 2.25% per annum as at 31 December 2008 (2007: 2.25%), with maturities up to 2022	17,766	171,600	19,122	203,972
			40,374,848		25,607,886
Shareholder loans *(note (i))*					
Renminbi loans	Interest rates mainly ranging from 4.15% to 7.30% per annum as at 31 December 2008 (2007: 4.15% to 5.83%), with maturities up to 2021		1,951,528		1,675,000

29 LONG-TERM LOANS (continued)

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

The Group (continued)

	Interest rate and period	2008 Original currency	2008 Renminbi/ Renminbi equivalent	2007 Original currency	2007 Renminbi/ Renminbi equivalent
		'000	'000	'000	'000
State loans *(note (ii))*					
Renminbi loans	Interest rates mainly ranging from 2.55% to 2.82% per annum as at 31 December 2008 (2007: 2.55% to 2.82%), with maturities up to 2020		**21,000**		21,000
US dollars loans	Interest rates mainly at 3.26% per annum as at 31 December 2008 (2007: 5.55%),with maturities up to 2012	**5,754**	**39,327**	7,136	52,126
			60,327		73,126
Other loans *(note (iii))*					
Renminbi loans	Interest rates mainly ranging from 4.86% to 7.56% per annum as at 31 December 2008 (2007: 5.67% to 7.05%), with maturities up to 2025		**2,637,116**		1,191,583
US dollars loans	Interest rates mainly at 5.31% per annum as at 31 December 2008 (2007: 7.58%), with maturities up to 2010	**3,463**	**23,665**	5,770	42,149
			2,660,781		1,233,732
			45,047,484		28,589,744
Less: Long-term loans due within one year *(note 28)*			**(4,677,441)**		(2,124,438)
			40,370,043		26,465,306

29 LONG-TERM LOANS (continued)

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

The Company

	Interest rate and period	2008 Original currency '000	2008 Renminbi/ Renminbi equivalent '000	2007 Original currency '000	2007 Renminbi/ Renminbi equivalent '000
Long-term bank loans					
Renminbi loans	Interest rates mainly ranging from 4.86% to 6.80% per annum as at 31 December 2008 (2007: 5.18%),with maturities up to 2011		**1,090,000**		100,000
US dollars loans	Interest rates mainly ranging from 3.26% to 3.99% per annum as at 31 December 2008 (2007: 5.63% to 6.09%), with maturities up to 2009	**100,000**	**683,460**	114,712	837,925
			1,773,460		937,925
Shareholder loans *(note (i))*					
Renminbi loans	Interest rates mainly ranging from 5.35% to 5.94% per annum as at 31 December 2008 (2007: 5.27% to 5.83%), with maturities up to 2011		**621,878**		585,000

29 LONG-TERM LOANS (continued)

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

The Company (continued)

	Interest rate and period	2008 Original currency	2008 Renminbi/ Renminbi equivalent	2007 Original currency	2007 Renminbi/ Renminbi equivalent
		'000	*'000*	*'000*	*'000*
State loans *(note (ii))*					
Renminbi loans	Interest rates mainly at 2.55% per annum as at 31 December 2008 (2007: 2.55%), with maturities up to 2020		**11,200**		11,200
US dollars loans	Interest rates mainly at 3.26% per annum as at 31 December 2008 (2007: 5.55%), with maturities up to 2012	**5,754**	**39,327**	7,136	52,126
			50,527		63,326
Other loans *(note (iii))*					
Renminbi loans	Interest rates mainly at 4.86% per annum as at 31 December 2008 with maturities up to 2011		**200,000**		—
			2,645,865		1,586,251
Less: Long-term loans due within one year *(note 28)*			**(813,652)**		(217,559)
			1,832,213		1,368,692

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	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Shandong International Trust Corporation ("SITC")	**820,603**	585,000	**585,000**	585,000
China Huadian	**1,130,925**	1,090,000	**36,878**	—
	1,951,528	1,675,000	**621,878**	585,000

Shareholder loans borrowed from SITC bear interest at rates quoted from the People's Bank of China for same terms less 0%-10%.

Shareholder loans borrowed from China Huadian bear interest rates, which were determined according to their own costs of financing, at 4.15%-5.40% (2007: 4.15%-5.40%).

(ii) State loans

The state loans mainly represent an US dollars state loan amounting to US$5.75 million (2007: US$7.14 million), which is guaranteed by Shandong Electric Power (Group) Corporation ("SEPCO") and bears a floating interest rate of 3.26% per annum (2007: 5.55%), with maturity up to 2012, and a Renminbi loan amounting to RMB21.00 million, which is unsecured and bears a fixed interest rate ranging from 2.55% to 2.82% per annum (2007: 2.55% to 2.82%), with maturity up to 2020.

The US dollars state loan represents a loan facility of US$310 million granted by the International Bank for Reconstruction and Development (the "World Bank") to the PRC State Government pursuant to a loan agreement entered into in 1992 to finance the PRC Zouxian Phase III project. According to the terms of the aforesaid loan agreement, the PRC State Government on-lent the loan facility to the Shandong Provincial Government which in turn on-lent it to SEPCO. Pursuant to a notice from the Finance Office of Shangdong 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 million was made available by the Shangdong Provincial Government to the Company, and guaranteed by SEPCO.

The Renminbi state loans represent: Firstly, loans of RMB13.5 million obtained from Ministry of Finance of the PRC in 2006 as funding for certain environmental and comprehensive resources utilisation construction projects. Secondly, a loan of RMB7.5 million obtained from Ministry of Finance of Weifang Municipal government in 2005 as funding for desulphurisation projects.

29 LONG-TERM LOANS (continued)

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

Notes: (continued)

(iii) Other loans

Balance of other loans is analysed as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
China Huadian Finance	**2,588,695**	1,110,751	**200,000**	—
Others	**72,086**	122,981	**—**	—
	2,660,781	1,233,732	**200,000**	—

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

(c) Guarantee and security of long-term loans are analysed as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Unsecured loans	**30,223,276**	20,579,725	**2,606,538**	1,534,125
Loans guaranteed by SEPCO	**39,327**	52,126	**39,327**	52,126
Loans guaranteed by China Huadian	**351,601**	423,973	**—**	—
Loans guaranteed by third parties	**441,080**	613,920	**—**	—
Secured loans	**13,992,200**	6,920,000	**—**	—
	45,047,484	28,589,744	**2,645,865**	1,586,251
Less: Long-term loans due within one year	**(4,677,441)**	(2,124,438)	**(813,652)**	(217,559)
	40,370,043	26,465,306	**1,832,213**	1,368,692

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

29 LONG-TERM LOANS (continued)

(d) The maturity analysis of the Group's and the Company's long-term loans, which are based on contractual undiscounted cash flows (including interests computed using contractual rates or, if floating, based on current rates at 31 December, is set out below:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Between one and two years (including two years)	**7,750,009**	5,762,837	**739,890**	789,854
Between two and five years (including five years)	**15,721,119**	11,618,537	**978,475**	666,263
Over five years	**27,695,368**	18,412,742	**258,075**	9,080
Total of contractual undiscounted cash flows	**51,166,496**	35,794,116	**1,976,440**	1,465,197
Carrying amount	**40,370,043**	26,465,306	**1,832,213**	1,368,692

30 SHARE CAPITAL

The Company's share capital structure at 31 December is as follows:

	2008	2007
	RMB'000	*RMB'000*
(1) Shares with restriction on disposals		
— A shares	**3,148,103**	3,449,157
(2) Shares without restriction on disposals		
— A shares	**1,441,953**	1,140,899
— H shares	**1,431,028**	1,431,028
Total	**6,021,084**	6,021,084

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

30 SHARE CAPITAL (continued)

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 Renminbi 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 Renminbi 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 of the Company 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 on disposal ranging from 1 to 3 years. As at 31 December 2008, 3,148,103,094 original domestic shares were still subject to restriction on disposal. Details of the Share Reform are set out in note 1.

The paid up share capital included RMB3,825,056,200 paid up original domestic share 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 share 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 share capital of RMB569,000,000 and paid up original domestic share 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 AND SURPLUS RESERVE

(1) Capital reserve

	The Group		
	Share premium	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	1,877,942	1,292,025	3,169,967
Additions for the year	—	55,473	55,473
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	1,346,758	3,199,290
Additions for the year	—	69,820	69,820
Decrease for the year	—	—	—
Adjustment on capital reserve of business combination involving entities under common control	(1,765,317)	—	(1,765,317)
At 31 December 2008	87,215	1,416,578	1,503,793

31 CAPITAL RESERVE AND SURPLUS RESERVE (continued)

(1) Capital reserve (continued)

	The Company		
	Share premium	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2007	1,868,442	86,524	1,954,966
Additions 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
Additions for the year	—	(4,105)	(4,105)
Decrease for the year	—	—	—
Adjustment on capital reserve of business combination involving entities under common control	(454,401)	—	(454,401)
At 31 December 2008	1,392,177	97,319	1,489,496

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

(2) The movement of surplus reserve is as follows:

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

32 APPROPRIATION OF PROFITS AND RETAINED EARNINGS AT THE END OF THE YEAR

(1) Appropriation is determined in accordance with the related rules and terms in the Company's Articles of Association.

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

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

(3) For the year ended 31 December 2008, the Company do not make any appropriation to statutory surplus reserve and discretionary surplus reserve.

(4) Dividends of ordinary shares

(a) Dividends of ordinary shares declared during the year

Pursuant to the shareholders' approval at the Shareholders' Meeting on 30 June 2008, a cash dividend of RMB0.062 per share (2007: RMB0.062 per share), totalling RMB373,307,000 (2007: RMB373,307,000), was declared and paid to the Company's ordinary shareholders on 30 July 2008.

(b) Dividends of ordinary shares proposed after the balance sheet date

Pursuant to a resolution passed at the directors' meeting held on 8 April 2009, no dividend will be payable to shareholders for the year ended 2008 (2007; a final dividend of RMB0.062 per share, totalling approximately RMB373,307,000, payable to shareholders), subject to the approval of the shareholders at the coming Annual General Meeting.

(5) Retained earnings at the end of the year

As at 31 December 2008, the consolidated retained earnings attributable to the Company included an appropriation of RMB15,647,000 (2007: RMB36,162,000) to surplus reserve made by the subsidiaries for the year.

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under International Financial Reporting Standards.

33 OPERATING INCOME

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from principal activities				
— Revenue from sales of electricity	**30,888,925**	23,294,569	**8,287,618**	8,555,490
— Revenue from sales of heat	**909,108**	664,939	**7,803**	5,160
Sub-total	**31,798,033**	23,959,508	**8,295,421**	8,560,650
Revenue from other operating activities	**162,745**	156,539	**83,497**	30,852
Total	**31,960,778**	24,116,047	**8,378,918**	8,591,502

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

	2008		2007	
	Total revenue	**Percentage over revenue from principal activities**	**Total revenue**	**Percentage over revenue from principal activities**
	RMB'000		*RMB'000*	
The Group	**28,433,135**	**89.42%**	22,303,970	93.09%
The Company	**8,295,421**	**100.00%**	8,560,650	100.00%

34 OPERATING COSTS

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost of principal activities				
— Cost of sale of electricity	**29,828,265**	18,554,277	**8,112,017**	6,924,981
— Cost of sale of heat	**1,062,636**	814,883	**8,422**	5,079
Sub-total	**30,890,901**	19,369,160	**8,120,439**	6,930,060
Cost of other operating activities	**103,015**	102,814	**39,494**	12,934
Total	**30,993,916**	19,471,974	**8,159,933**	6,942,994

35 SALES TAXES AND SURCHARGES

		The Group		The Company	
	Basis	**2008**	2007	**2008**	2007
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
City maintenance and construction tax	1-7% of VAT payable	**140,520**	152,231	**41,051**	58,515
Education surcharge	3-5% of VAT payable	**87,420**	94,097	**23,459**	33,531
		227,940	246,328	**64,510**	92,046

36 FINANCE EXPENSES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Interest incurred	**3,708,437**	2,342,177	**718,543**	550,590
Less: Interest capitalised	**(597,124)**	(583,027)	**(78,443)**	(105,100)
Net interest expenses	**3,111,313**	1,759,150	**640,100**	445,490
Interest income on deposits	**(34,021)**	(13,395)	**(13,287)**	(3,698)
Net exchange gain	**(112,163)**	(91,409)	**(87,060)**	(92,358)
Net loss on derivative financial instruments	**—**	10,632	**—**	10,632
Total	**2,965,129**	1,664,978	**539,753**	360,066

37 INVESTMENT (LOSSES)/INCOME

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Long-term equity investment income				
— Accounted for under the cost method	**31,004**	—	**173,598**	13,658
— Accounted for under the equity method	**(108,617)**	144,202	**(120,046)**	130,606
Total	**(77,613)**	144,202	**53,552**	144,264

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

	2008	2007	**Reason for movement**
	RMB'000	*RMB'000*	
Jointly controlled entity			
— Zhongning Company	**27,209**	45,681	Profit or loss from normal operations
Associates			
— Ningxia Power Company	**31,355**	14,607	Profit or loss from normal operations
— Chizhou Company	**(87,711)**	(2,017)	Profit or loss from normal operations
— Luzhou Company	**(175,939)**	(14,506)	Profit or loss from normal operations
— Zoucheng Lunan	**(37)**	(56)	Profit or loss from normal operations
— Huadian Coal	**54,970**	40,839	Profit or loss from normal operations
— China Huadian Finance	**42,039**	58,595	Profit or loss from normal operations
— Huadian New Energy	**(1,491)**	—	Profit or loss from normal operations
— Shijiazhuang Heat Company	**988**	1,059	Profit or loss from normal operations
Other enterprises	**31,004**	—	Under cost method, investment income is recognised when dividend is declared by investees.
Total	**(77,613)**	144,202	

37 INVESTMENT (LOSSES)/INCOME (continued)

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

	2008	2007	Reason for movement
	RMB'000	*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	**20,791**	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
— Material Company	**11,965**	4,625	Under cost method, investment income is recognised when dividend is declared by subsidiary.
— Lingwu Company	**76,580**	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Jointly controlled entity			
— Zhongning Company	**27,209**	45,681	Profit or loss from normal operations

37 INVESTMENT (LOSSES)/INCOME (continued)

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

	2008	2007	Reason for movement
	RMB'000	*RMB'000*	
Associates			
— Ningxia Power Company	**31,355**	14,607	Profit or loss from normal operations
— Chizhou Company	**(87,711)**	(2,017)	Profit or loss from normal operations
— Luzhou Company	**(175,939)**	(14,506)	Profit or loss from normal operations
— Zoucheng Lunan	**(37)**	(56)	Profit or loss from normal operations
— Huadian Coal	**51,693**	38,405	Profit or loss from normal operations
— China Huadian Finance	**34,875**	48,492	Profit or loss from normal operations
— Huadian New Energy	**(1,491)**	—	Profit or loss from normal operations
Other enterprises	**24,942**	—	Under cost method, investment income is recognised when dividend is declared or investment losses is recognised when subsidiaries are disposed by investees.
Total	**53,552**	144,264	

38 NON-OPERATING INCOME

	The Group		The Company	
	2008	2007	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Gains on disposals of fixed assets	**63,583**	3,167	**35,673**	—
Gain on exchange of non-monetary assets	**—**	—	**—**	249,122
Government grants	**209,551**	12,413	**132,240**	300
Others	**2,415**	16,933	**97**	11,542
Total	**275,549**	32,513	**168,010**	260,964

39 NON-OPERATING EXPENSES

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Losses on disposals of fixed assets	**10,832**	6,619	**6,295**	3,551
Donations	**11,200**	2,132	**6,100**	1,286
Others	**2,031**	3,483	**766**	1,303
Total	**24,063**	12,234	**13,161**	6,140

40 INCOME TAX

(1) Income tax in the income statement represents:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Income tax for the year	**21,173**	348,732	**—**	194,235
(Over)/under-provision for income tax in respect of preceding year	**(25,558)**	3,858	**(26,109)**	(1,452)
Deferred taxation	**(113,966)**	15,901	**(47)**	123,328
	(118,351)	368,491	**(26,156)**	316,111

40 INCOME TAX (continued)

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

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Origination and reversal of temporary differences	**(133,743)**	207,067	**(19,824)**	136,465
Changes in tax rate	**—**	(191,166)	**—**	(13,137)
Under-provision of deferred tax in respect of preceding year	**19,777**	—	**19,777**	—
	(113,966)	15,901	**(47)**	123,328

(3) Reconciliation between income tax and accounting profits is as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(Loss)/profit before taxation	**(3,162,513)**	2,115,036	**(558,040)**	1,244,293
Expected income tax expense at a tax rate of 25% (2007: 33%)	**(790,628)**	697,962	**(139,510)**	410,617
Change in tax rate	**—**	(191,166)	**—**	(13,137)
Non-deductible expenses	**77,843**	7,275	**74,110**	5,175
Non-taxable income	**(46,641)**	(57,565)	**(81,396)**	(49,725)
Effect of preferential tax rates of subsidiaries on income tax expense	**24,486**	(45,318)	**—**	—
Tax credit (note (i))	**—**	(46,555)	**—**	(35,367)
(Over)/under-provision in respect of preceding year	**(5,781)**	3,858	**(6,331)**	(1,452)
Temporary difference of deferred tax assets not recognised	**622,370**	—	**126,971**	—
	(118,351)	368,491	**(26,156)**	316,111

Note:

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

41 NOTES TO THE CASH FLOW STATEMENT

(1) Reconciliation of net (loss)/profit to cash flows from operating activities:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net (loss)/profit	**(3,044,162)**	1,746,545	**(531,884)**	928,182
Add: Depreciation of fixed assets	**3,803,750**	3,147,010	**976,306**	1,213,787
Amortisation of intangible assets	**33,942**	31,411	**13,495**	13,188
Write off of impairment losses on trade receivables and inventories	**(3,234)**	(206)	**—**	—
Finance expenses	**2,965,131**	1,664,978	**539,754**	360,066
Investment loss/(income)	**77,613**	(144,202)	**(53,552)**	(144,264)
Impairment losses/(written back)	**11,050**	7,410	**186**	(4,672)
(Gain)/loss on disposals of fixed assets	**(52,751)**	3,452	**(29,378)**	3,551
(Increase)/decrease in deferred tax assets	**(178,880)**	39,416	**—**	61,048
Increase/(decrease) in deferred tax liabilities	**86,518**	(23,515)	**(47)**	62,280
(Increase)/decrease in inventories	**(1,040,209)**	95,289	**(202,696)**	107,663
Decrease/(increase) in operating receivables	**522,791**	(656,106)	**26,425**	552,513
Increase/(decrease) in operating payables	**334,759**	(97,991)	**8,353**	(1,116,734)
Net cash flow from operating activities	**3,516,318**	5,813,491	**746,962**	2,036,608

41 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	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
(a) Cash at bank and on hand				
— Cash on hand	**1,536**	1,394	**905**	876
— Bank deposits available on demand	**1,864,900**	1,513,652	**778,348**	1,075,934
— Other monetary fund available on demand	**2,869**	2,294	**1,035**	1,063
— Cash with restricted usage	**4,791**	19,950	**—**	—
(b) Closing balance of cash and cash equivalent	**1,874,096**	1,537,290	**780,288**	1,077,873
Less: cash with restricted usage	**(4,791)**	(19,950)	**—**	—
(c) Closing balance of cash and cash equivalents available on demand	**1,869,305**	1,517,340	**780,288**	1,077,873

(3) Information related to the subsidiaries acquired during the year:

	The Group
	RMB'000
Consideration for acquisition of subsidiaries	1,946,496
Cash and cash equivalents paid for acquisition of subsidiaries	1,044,454
Less: cash at bank and on hand held by the acquired subsidiaries	(134,701)
Net cash paid for acquisition of subsidiaries	909,753

Please see notes 6(2) and (3) for the non-monetary assets and liabilities of the acquired subsidiaries.

42 RISK ANALYSIS, SENSITIVITY ANALYSIS, AND DETERMINATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS

The Group exposes to interest rate, credit, foreign currency and liquidity risks for its finanial 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 notes 22, 27 and 29.

(a) The Group and the Company held the following interest-bearing financial instruments at 31 December:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Fixed rate financial instruments				
Financial liabilities				
— Short-term loans	**(6,540,650)**	(8,053,757)	**(1,981,200)**	(695,157)
— Long-term loans	**(1,177,526)**	(1,007,393)	**(48,078)**	(11,200)
— Short-term debenture payables	**(2,605,798)**	(3,985,759)	**(2,605,798)**	(3,985,759)
	(10,323,974)	(13,046,909)	**(4,635,076)**	(4,692,116)
Floating rate financial instruments				
Financial assets				
— Cash at bank and on hand	**1,874,096**	1,537,290	**780,288**	1,077,873
Financial liabilities				
— Short-term loans	**(5,465,484)**	(2,030,435)	**(3,286,484)**	(1,211,815)
— Long-term loans	**(43,869,958)**	(27,582,351)	**(2,597,787)**	(1,575,051)
	(47,461,346)	(28,075,496)	**(5,103,983)**	(1,708,993)

42 RISK ANALYSIS, SENSITIVITY ANALYSIS, AND DETERMINATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS (continued)

(1) Interest rate risks (continued)

(b) Sensitivity analysis

As at 31 December 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 and the Company's net profit and shareholders' equity by approximately RMB360,904,000 and RMB38,812,000 respectively (2007: RMB190,718,000 and RMB11,609,000 respectively).

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 risks for all financial instruments in existence at that date. The change of 100 basis points 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.

(2) Credit risks

Majority of the Group's cash and cash equivalents are deposited with the four largest commercial banks of the PRC, China Development Bank and China Huadian Finance.

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

	2008	2007
	RMB'000	*RMB'000*
Sale of electricity to:		
SEPCO	**20,651,061**	16,210,210
Sichuan Electric Power Corporation	**1,856,199**	2,140,814
Ningxia Electric Power Company	**1,503,812**	667,174
Henan Electric Power Company	**1,481,184**	660,915
East China Grid Company Limited	**1,969,671**	329,684
Zhejiang Electric Power Company	**2,452,391**	2,509,602
Anhui Electric Power Company	**185,019**	—
Hebei Electric Power Company	**789,588**	776,170

42 RISK ANALYSIS, SENSITIVITY ANALYSIS, AND DETERMINATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS (continued)

(2) Credit risks (continued)

	2008	2007
	RMB'000	*RMB'000*
Receivables from sale of electricity:		
SEPCO	**735,087**	812,072
Sichuan Electric Power Corporation	**441,103**	472,647
Ningxia Electric Power Company	**90,898**	134,130
Henan Electric Power Company	**194,122**	360,337
East China Grid Company Limited	**200,111**	152,142
Zhejiang Electric Power Company	**53,174**	340,621
Anhui Electric Power Company	**67,368**	—
Hebei Electric Power Company	**86,532**	86,513

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

No other financial assets carry significant exposure to credit risks.

The ageing analysis of the Group's and the Company's trade receivables that are past due but not impaired on individual and collective assessment is set out as follows:

	The Group		The Company	
Ageing	**2008**	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Past due within 3 months (including 3 months)	**1,453**	4,263	**—**	—
Past due 3-6 months (including 6 months)	**1,708**	8,348	**—**	—
Past due 6 months-1 year (including 1 year)	**518**	—	**—**	—
Past due over 1 year	**383**	—	**—**	—
	4,062	12,611	**—**	—

Receivables that were past due but not impaired relate to a number of major customers that have good track records and long-term business relationships with the Group. Therefore, the Group considered that those receivables are not impaired.

42 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 and Euro. Depreciation or appreciation of US dollars and Euro against the Renminbi will affect the Group's financial position and operating results.

(b) The Group's and the Company's exposure as at 31 December to currency risk arising from recognised assets or liabilities denominated in foreign currencies is as follows: for presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currencies are excluded.

The Group

Expressed in RMB'000

	2008		2007	
	Balances in USD	**Balances in EUR**	Balances in USD	Balances in EUR
Cash at bank and on hand	**48**	**—**	44	—
Short-term loans	**(445,200)**	**—**	(475,815)	—
Long-term loans	**(790,715)**	**(171,600)**	(982,693)	(203,972)
Net exposure arising from recognsied assets and liabilities	**(1,235,867)**	**(171,600)**	(1,458,464)	(203,972)

The Company

Expressed in RMB'000

	2008		2007	
	Balances in USD	**Balances in EUR**	Balances in USD	Balances in EUR
Cash at bank and on hand	**41**	**—**	44	—
Short-term loans	**(445,200)**	**—**	(475,815)	—
Long-term loans	**(790,715)**	**—**	(890,051)	—
Net exposure arising from recognsied assets and liabilities	**(1,235,874)**	**—**	(1,365,822)	—

42 RISK ANALYSIS, SENSITIVITY ANALYSIS, AND DETERMINATION OF FAIR VALUE FOR FINANCIAL INSTRUMENTS (continued)

(3) Foreign currency risk (continued)

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

	Average rate		Reporting date mid-spot rate	
	2008	2007	**2008**	2007
USD	**6.9451**	7.5567	**6.8346**	7.3046
EUR	**10.2227**	10.4175	**9.6590**	10.6669

(d) Sensitivity analysis

Assuming all other risk variables remained constant, a 10% (2007: 9%) strengthening of the Renminbi against the US dollars and Euro at 31 December would have increased shareholders' equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the balance sheet date:

	Shareholders' equity		Net profit	
	The Group	The Company	The Group	The Company
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2008				
USD	92,694	87,599	92,694	87,599
EUR	12,870	—	12,870	—
Total	105,564	87,599	105,564	87,599
As at 31 December 2007				
USD	87,445	82,362	87,949	82,362
EUR	12,300	—	12,300	—
Total	99,745	82,362	100,249	82,362

A 10% (2007: 9%) weakening of the Renminbi against the US dollars and Euro at 31 December would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group or the Company which expose the Group or the Company to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements denominated in foreign currencies. The analysis is performed on the same basis for 2007.

42 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 terms of repayment 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 held by the Group's associates. Fair values for the unquoted equity investments are estimated using the applicable price/earning ratios for similar listed companies adjusted for the specific circumstances.

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.

43 COMMITMENTS

(1) Capital commitments

As at 31 December, capital commitments of the Group and the Company are as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for	**18,982,254**	16,778,445	**5,565,774**	6,865,904
Authorised but not contracted for	**8,041,662**	4,518,636	**838,359**	166,050
	27,023,916	21,297,081	**6,404,133**	7,031,954

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

At 31 December 2008, the Group did not have any proportionate share of the jointly controlled entity's capital expenditure commitments (2007: RMB Nil).

(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 year end are as follows:

	2008	2007
	RMB'000	*RMB'000*
Within one year	**30,876**	31,652
Over one year and within two years	**29,837**	30,178
Over two years and within three years	**29,837**	30,178
Over three years	**467,446**	505,482
	557,996	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 future minimum lease payments in respect of the land is calculated based on the existing annual rental of RMB29,837,000 as the revision of annual rental is still under negotiation.

44 RELATED PARTIES AND MATERIAL RELATED PARTY TRANSACTIONS

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

Company name	Organisation code	Place of registration	Principal operation	Registered capital	Equity interest to the Company	Voting right to the Company
				RMB'000		
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 related to subsidiaries of the Company.

(3) Information related to other related parties that do not control/are not controlled by the Group and the Company but had related parties transaction is as follows:

Company name	Relationship with the Company
SITC	holding 13.3% equity interest 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
Longtan Coal Company	An associate of the Group

Please refer to note 14 for information related to jointly controlled entity and associates of the Group.

44 RELATED PARTIES AND MATERIAL RELATED PARTY TRANSACTIONS

(continued)

(4) Transactions between the Group and the Company and key management personnel:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Remuneration for key management personnel	**6,025**	6,795	**6,025**	6,795

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

(a) Transaction amounts arising from normal operating activities between the Group and the Company and related parties other than key management personnel are set out as follows:

		The Group				The Company			
		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)	**253,018**	**2.82%**	299,573	2.18%	**42,079**	**2.74%**	5,132	0.25%
Interest expenses	(ii)	**355,821**	**10.15%**	218,849	10.42%	**77,932**	**16.67%**	72,727	13.21%
Loans obtained from related parties	(ii)	**3,864,278**	**8.63%**	1,950,894	6.74%	**936,878**	**5.91%**	500,000	4.15%
Loans repaid to related parties	(ii)	**2,379,797**	**9.05%**	1,496,270	6.62%	**—**	**—**	500,000	5.09%
Service fee	(iii)	**63,354**	**100%**	42,745	100%	**—**	**—**	—	—

Notes:

(i) *The amount represented construction costs and equipment costs paid and payable to China Huadian Engineering (Group) Corporation and its subsidiary.*

(ii) *Details of loans from SITC, China Huadian, China Huadian Finance, Huadian Coal and CHD Operation are set out in notes 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.*

44 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) Balances of transactions arising from normal operating activities between the Group and the Company and related parties other than key management personnel are set out as follows:

		The Group		The Company	
		2008	2007	**2008**	2007
	Note	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments for construction and construction materials	(i)	**136,240**	153,953	**19,000**	1,000
Trade payables and other payables	(i)	**(14,482)**	(45,351)	**—**	—
Shareholder loans	(ii)	**(2,611,528)**	(1,675,000)	**(1,121,878)**	(585,000)
Other loans	(ii)	**(3,388,695)**	(2,840,751)	**(450,000)**	(50,000)
Deposits	(iii)	**1,196,566**	—	**305,637**	—
Net receipt in advance for purchase of fuel		**—**	—	**(156,310)**	(353,513)
Prepayments for purchase of materials		**—**	—	**716,573**	451,140

Notes:

(i) The amount represented construction costs and equipment costs paid and payable to China Huadian Engineering (Group) Corporation and its subsidiary.

(ii) Details of loans from SITC, Chian Huadian, China Huadian Finance, Huadian Coal and CHD Operation are set out in notes 22 and 29.

(iii) The amount represented deposits at China Huadian Finance.

44 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 Company entered into an investment agreement with China Huadian to acquire its 95% equity interests in Wuhu Company 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.

(d) 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.

(e) On 13 February 2008, the Company entered into an equity transfer agreement with China Huadian to acquire its equity interests in four subsidiaries and pursuant to the equity transfer agreement, the Company paid an investment deposit. Details were set out in note 6.

(f) At 31 December 2008, Guangan Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB152,957,000 (2007: RMB110,000,000).

(g) At 31 December 2008, the Company provided guarantees to banks for loans granted to its certain subsidiaries amounting to RMB405,320,000 (2007: RMB355,660,000).

45 CONTINGENT LIABILITIES

(1) Outstanding litigations

A coal supplier of Guangan Company, a subsidiary of the Company, commenced legal proceedings against Guangan Company for price of coal purchased. The litigation is in progress. Based on the circumstances, the directors considered that the outcome of such litigation will not result in significant adverse effect on the financial position and operating results of the Company.

(2) Guarantees provided for other entities

At 31 December 2008, Guangan Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB152,957,000 (2007: RMB110,000,000).

46 EXTRAORDINARY GAIN AND LOSS

In accordance with "Interpretive Pronouncement on the Preparation of Information Disclosures of companies Issuing Public Shares No. 1 - Extraordinary Gain and Loss (2008)", the extraordinary gain and loss of the Group and the Company are listed as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Extraordinary gain and loss for the year				
— Net gain/(loss) on disposals of non-current assets	**52,414**	(4,759)	**29,378**	(3,551)
— Non-recurring government grants	**199,915**	9,556	**132,240**	300
— Net profit generated by subsidiaries before combination date of business combination involving entities under common control	**24,624**	199,536	**—**	—
— Reversal of impairment losses of receivables assessed on an individual basis	**269**	760	**—**	757
— Other non-operating (expenses)/income	**(9,819)**	13,264	**(6,769)**	8,953
— Net gain on exchange of non-monetary assets	**—**	—	**—**	249,122
— Net loss on derivative financial instruments	**—**	(10,632)	**—**	(10,632)
	267,403	207,725	**154,849**	244,949
Less: Tax effect of the above items	**(18,895)**	(2,710)	**(7,137)**	(80,833)
Total	**248,508**	205,015	**147,712**	164,116
Extraordinary gain and loss attributable to:				
— Equity shareholders of the Company	**223,889**	140,759	**147,712**	164,116
— Minority interests	**24,619**	64,256	—	—

47 EARNINGS PER SHARE AND RETURN ON NET ASSETS

(1) Earnings per share of the Group

	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)	**(0.425)**	**(0.425)**	0.226	0.226
— (Loss)/profit attributable to the Company's ordinary equity shareholders (RMB'000)	**(2,558,096)**	**(2,558,096)**	1,361,802	1,361,802
— 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)	**(0.462)**	**(0.462)**	0.203	0.203
— (Loss)/profit deducted extraordinary gains and loss attributable to the Company's ordinary equity shareholders (RMB'000)	**(2,781,985)**	**(2,781,985)**	1,221,043	1,221,043
— Weighted average number of the Company's ordinary shares ('000 shares)	**6,021,084**	**6,021,084**	6,021,084	6,021,084

47 EARNINGS PER SHARE AND RETURN ON NET ASSETS (continued)

(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:

	2008		2007	
	Fully diluted	**Weighted average**	Fully diluted	Weighted average
(a) Return on net assets inclusive of extraordinary gain and loss	**(23.22%)**	**(19.21%)**	8.68%	8.96%
— Net (loss)/profit attributable to the Company's ordinary equity shareholders (RMB'000)	**(2,558,096)**	**(2,558,096)**	1,361,802	1,361,802
— Year-end net assets attributable to the Company's ordinary equity shareholders (RMB'000)	**11,018,036**	**—**	15,692,732	—
— Weighted average of net assets attributable to the Company's ordinary equity shareholders (RMB'000)	**—**	**13,317,341**	—	15,203,395
(b) Return on net assets net of extraordinary gain and loss	**(25.25%)**	**(20.89%)**	7.78%	8.03%
— Net (loss)/profit net of extraordinary gain and loss attributable to the Company's ordinary equity shareholders (RMB'000)	**(2,781,985)**	**(2,781,985)**	1,221,043	1,221,043
— Year-end net assets attributable to the Company's ordinary equity shareholders (RMB'000)	**11,018,036**	**—**	15,692,732	—
— Weighted average of net assets attributable to the Company's ordinary equity shareholders (RMB'000)	**—**	**13,317,341**	—	15,203,395

48 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.

49 NON-ADJUSTING POST BALANCE SHEET EVENT

(1) On 29 December 2009, the Company and 12 natural person shareholders ("the transferrer") entered into an equity transfer agreement to acquire 100% equity interests in Hebei Huarui Energy Group Corporation Limited ("Huarui Company") held by the transferrer, totalling 338,000,000 shares. Pursuant to the agreement, net assets of RMB729,457,000 and purchase consideration of RMB729,000,000 were determined with reference to an independent valuation of Huarui Company as at a basis date of 30 April 2008. The completion date of equity transfer was 1 January 2009 on which the Company obtained control of Huarui Company.

Pursuant to the agreement, the Company and the transferrer jointly employed a public accounting firm to assess the operating results of Huarui Company between the basis date and the completion date of equity transfer. The final consideration to be settled is subject to adjustment for the operating results of Huarui Company, determined and audited under the PRC Accounting Standards for Business Enterprises, between the basis date and the completion date of equity transfer. The audit of operating results was still in progress.

As at the reporting date, the Company has paid RMB338,365,000.

(2) The Company issued the first and second tranches of medium-term notes for the year of 2009 on 17 March 2009 and 25 March 2009 respectively. The first tranche are 3-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each with a coupon rate of 3.38% per annum. On 18 March 2009, all raised funds have been received. The second tranche are 5-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each with a coupon rate of 3.96% per annum. On 26 March 2009, all raised funds have been received.

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:

	Note	2008 RMB'000	2007 RMB'000
Amount under CAS (2006)		**(3,044,162)**	1,746,545
Adjustments:			
Business combination involving entities under common control	(a)	**(39,508)**	(336,606)
Government grants	(b)	**12,220**	11,137
Taxation impact of the adjustments		**12,328**	99,389
Total		**(14,960)**	(226,080)
Amount under IFRS		**(3,059,122)**	1,520,465

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

	Note	2008 RMB'000	2007 RMB'000
Amount under CAS (2006)		**15,462,893**	20,106,760
Adjustments:			
Business combination involving entities under common control	(a)	**809,475**	(1,747,760)
Government grants	(b)	**(174,103)**	(183,443)
Taxation impact of the adjustments		**(161,485)**	(32,875)
Total		**473,887**	(1,964,078)
Amount under IFRS		**15,936,780**	18,142,682

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 individually 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 acquiree 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.

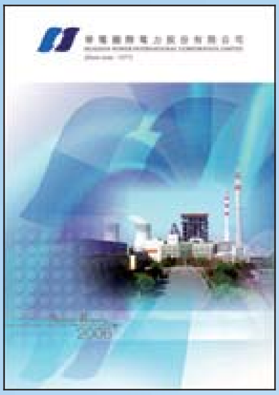
In addition, according to CAS (2006), in preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods 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.*

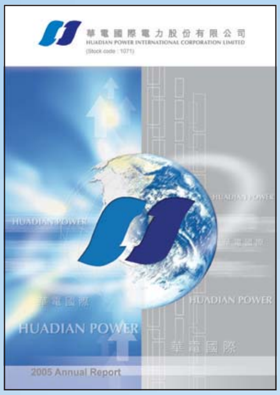
According to CAS (2006), government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

2007 Annual Report

2006 Annual Report



2005 Annual Report



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