



華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

(Stock Code: 1071)

Interim Report

2009



The board of directors (the “Board”) of Huadian Power International Corporation Limited\* (the “Company”) hereby presents the unaudited consolidated interim financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2009 (the “Period”) prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”. The Group’s interim financial report for the Period is unaudited, but it has been reviewed by KPMG, the international auditor of the Company, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s unmodified review report addressed to the Board is set out on page 57 to 58. The Audit Committee of the Company has also reviewed the 2009 interim report and its relevant financial information of the Group.

## **BUSINESS REVIEW**

During the Period, turnover of the Group amounted to approximately RMB17,187 million, representing an increase of approximately 25.50% over the corresponding period in 2008; profit after tax attributable to equity shareholders of the Company amounted to approximately RMB545 million. Earnings per share were approximately RMB0.09. Net asset value per share (excluding minority interests) amounted to approximately RMB2.00.

## **INTERIM DIVIDEND**

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

## POWER GENERATION

During the Period, the power generated by the Group amounted to approximately 50.07 million MWh, representing an increase of approximately 5.15% over the corresponding period in 2008; on-grid power sold amounted to approximately 46.57 million MWh, representing an increase of approximately 5.11% over the corresponding period in 2008; the average utilization hours of coal-fired generating units of the Group were 2,320 hours, coal consumption for power supplied was approximately 326.21g/KWh and the unit fuel cost for power generation was approximately RMB216.13/MWh.

The Group is one of the largest listed power-generating group companies in the People's Republic of China (the "PRC"). As at the date of this report, details of the Group's power generation assets are set out as follows:

| Power plants/<br>Companies   | Installed<br>capacity (MW)<br>(as at the date<br>of this report) | Equity<br>interest<br>held by<br>the Company | Combination of<br>generating units   | Notes |
|--|--|--|--------------------------------------|-------|
| Zouxian Plant  | 2,540  | 100%   | 2 x 600MW + 4 x 335MW                |       |
| Shiliquan Plant  | 770  | 100%   | 1 x 330MW + 1 x 300MW<br>+ 1 x 140MW |       |
| Laicheng Plant   | 1,200  | 100%   | 4 x 300MW                            |       |
| Huadian Zouxian Power<br>Generation Company Limited<br>("Zouxian Company") | 2,000  | 69%  | 2 x 1,000MW                          |       |
| Huadian Weifang Power<br>Generation Company Limited<br>("Weifang Company") | 2,000  | 45%  | 2 x 670MW + 2 x 330MW                |       |
| Huadian Qingdao Power<br>Generation Company Limited<br>("Qingdao Company") | 1,200  | 55%  | 4 x 300MW                            |       |

| <b>Power plants/<br/>Companies</b>   | <b>Installed<br/>capacity (MW)<br/>(as at the date<br/>of this report)</b> | <b>Equity<br/>interest<br/>held by<br/>the Company</b> | <b>Combination of<br/>generating units</b> | <b>Notes</b>   |
|--|--|--|--|--|
| Huadian Zibo Power<br>Company Limited<br>(“Zibo Company”)  | 433  | 100%   | 2 x 145MW + 2 x 71.5MW                     |  |
| Huadian Zhangqiu Power<br>Generation Company Limited<br>(“Zhangqiu Company”)                     | 890  | 87.5%  | 2 x 300MW + 2 x 145MW                      |  |
| Huadian Tengzhou Xinyuan<br>Thermal Power<br>Company Limited<br>(“Tengzhou Company”)<br>(Note 1) | 930  | 93.257%  | 2 x 315MW + 2 x 150MW                      |  |
| Huadian Laizhou Wind Power<br>Generation Company Limited<br>(“Laizhou Wind<br>Power Company”)    | 40.5   | 55%  | 27 x 1.5MW                                 |  |
| Huadian Ningxia Lingwu<br>Power Generation<br>Company Limited<br>(“Lingwu Company”)              | 1,200  | 65%  | 2 x 600MW                                  | 2 x 1,000MW<br>thermal power<br>generating units<br>under construction |
| Ningxia Zhongning Power<br>Generation Company Limited<br>(“Zhongning Company”)                   | 660  | 50%  | 2 x 300MW                                  |  |
| Huadian Ningxia Ningdong<br>Wind Power Company Limited<br>(“Ningdong Wind<br>Power Company”)     | 45   | 100%   | 30 x 1.5MW                                 | 45MW wind power<br>generating units<br>under construction              |

| Power plants/<br>Companies   | Installed<br>capacity (MW)<br>(as at the date<br>of this report) | Equity<br>interest<br>held by<br>the Company | Combination of<br>generating units | Notes   |
|--|--|--|------------------------------------|---|
| Sichuan Guangan Power<br>Generation Company Limited<br>("Guangan Company")                                     | 2,400  | 80%  | 2 x 600MW + 4 x 300MW              |   |
| Sichuan Huadian Luding<br>Hydropower Company Limited<br>("Luding Hydropower<br>Company") (Note 2)              | —  | 100%   | —                                  | 4 x 230MW<br>hydropower<br>generating<br>units under<br>construction    |
| Sichuan Huadian Za-gunao<br>Hydroelectric Development<br>Company Limited ("Za-gunao<br>Hydroelectric Company") | 228  | 49%  | 3 x 46MW + 3 x 30MW                | 363MW<br>hydropower<br>generating<br>units under<br>construction        |
| Huadian Xinxiang Power<br>Generation Company Limited<br>("Xinxiang Company")                                   | 1,320  | 90%  | 2 x 660MW                          |   |
| Huadian Luohe Power<br>Generation Company Limited<br>("Luohe Company")   | —  | 75%  | —                                  | 2 x 300MW<br>heat-power<br>co-generating<br>units under<br>construction |
| Anhui Huadian Suzhou<br>Power Generation<br>Company Limited<br>("Suzhou Company")                              | 1,200  | 97%  | 2 x 600MW                          |   |

| <b>Power plants/<br/>Companies</b>  | <b>Installed<br/>capacity (MW)<br/>(as at the date<br/>of this report)</b> | <b>Equity<br/>interest<br/>held by<br/>the Company</b> | <b>Combination of<br/>generating units</b> | <b>Notes</b>   |
|---|--|--|--|--|
| Anhui Huadian Wuhu<br>Power Generation<br>Company Limited<br>(“Wuhu Company”)                             | 1,320  | 65%  | 2 x 660MW                                  |  |
| Anhui Chizhou Jiu Hua<br>Power Generation<br>Company Limited<br>(“Chizhou Company”)                       | 600  | 40%  | 2 x 300MW                                  |  |
| Huadian Suzhou Biomass<br>Energy Power<br>Company Limited<br>(“Suzhou Biomass<br>Energy Company”)         | 25   | 78%  | 2 x 12.5MW                                 |  |
| Huadian Inner Mongolia<br>Kailu Wind Power<br>Company Limited<br>(“Kailu Wind Power<br>Company”) (Note 3) | —  | 100%   | —  | 349.5MW<br>wind power<br>generating<br>units under<br>construction |
| Hangzhou Huadian<br>Banshan Power<br>Generation Company<br>Limited (“Hangzhou<br>Banshan Company”)        | 1,435  | 64%  | 3 x 390MW + 1 x 135MW<br>+ 1 x 130MW       |  |

| Power plants/<br>Companies   | Installed<br>capacity (MW)<br>(as at the date<br>of this report) | Equity<br>interest<br>held by<br>the Company | Combination of<br>generating units  | Notes   |
|--|--|--|-------------------------------------|---|
| Hebei Huadian Shijiazhuang<br>Thermal Power Company<br>Limited ("Shijiazhuang<br>Thermal Power Company")<br>(Note 4) | 1,100  | 82%  | 2 x 300MW + 2 x 200MW<br>+ 4 x 25MW | 2 x 300MW<br>heat-power<br>co-generating<br>units under<br>construction |
| Hebei Huadian Complex<br>Pumping-storage<br>Hydropower Company<br>Limited ("Hebei<br>Hydropower Company")            | 57   | 100%   | 1 x 16MW + 2 x 15MW<br>+ 1 x 11MW   |   |
| Hebei Huarui Energy<br>Group Corporation Limited<br>("Huarui Company")<br>(Note 5)                                   | 1,765  | 100%   | —                                   |   |
| Total installed capacity<br>controlled (Note 6)  | <u>23,718.5</u>  |  |                                     |   |
| Interested installed<br>capacity (Note 7)  | <u>20,556.6</u>  |  |                                     |   |

- Note 1: The equity interest in Tengzhou Company held by the Group changed from original 89.255% to 93.257% since 1 January 2009.*
- Note 2: The four 230MW hydropower generating units project of Luding Hydropower Company was approved by the National Development and Reform Commission of the PRC (the "NDRC") on 3 March 2009.*
- Note 3: The equity interest in Kailu Wind Power Company held by the Group changed from original 75% to 100% since 6 July 2009.*
- Note 4: The two generating units of Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua 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 23 April 2009 respectively. In addition, two 300MW heat-power co-generating units project of Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Company") which is 90% jointly owned by Shijiazhuang Thermal Power Company and Huarui Company was approved by the NDRC on 8 July 2009.*
- Note 5: Huarui Company has been included into the Group's consolidated financial statements since 1 January 2009. As at the date of this report, the interested capacity of Huarui Company held by the Group amounted to 1,765MW.*
- Note 6: 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 7: The total installed capacity of the Company and companies controlled or invested by the Company as at the date of this report, based on the respective percentage of equity interests held by the Company.*



## New installed capacity

From 1 January 2009 to the date of this report, 600MW heat-power co-generating units of the Group commenced operation:

| <b>Project Name</b>              | <b>Capacity<br/>(MW)</b> | <b>Date of<br/>completion of trial<br/>operation at full<br/>loaded capacity<br/>as required<br/>by the State</b> |
|----------------------------------|--------------------------|---|
| The first unit of Yuhua Company  | 300                      | 23 January 2009   |
| The second unit of Yuhua Company | 300                      | 23 April 2009   |
| Total                            | <u>600</u>               |   |

## Preliminary projects

As at the date of this report, the Group's preliminary projects progressed smoothly. The Hebei Guyuan Phase I 100.5MW wind power generating units project and the four 230MW hydropower generating units project of Luding Hydropower Company were approved by the NDRC on 12 February 2009 and 3 March 2009 respectively. The Huadian Ningxia Ningdong 10MWp solar photovoltaic power station project was approved by the Development and Reform Commission of the Ningxia Hui Autonomous Region on 24 June 2009. The 49.5 MW wind power generating units project in Phase I of Tongliao Kezuozhongqi Huadian Power International Dailiji South Wind Power Plant ("Dailiji Wind Power Project") was approved by the Development and Reform Commission of the Inner Mongolia Autonomous Region on 6 July 2009. The two 300MW heat-power co-generating units project of Luhua Company was approved by the NDRC on 8 July 2009 and the expansion project of a 600MW thermal power generating unit of Anhui Liuan was approved by the NDRC on 21 July 2009.

The Group's two 1,000MW ultra-supercritical thermal power generating units project in Laizhou, Shandong, two 300MW heat-power co-generating units project of Zibo Company and two 300MW heat-power co-generating units project in Qudong, Henan have obtained preliminary approvals from the NDRC (i.e. "Lu Tiao") and have been submitted to the NDRC for approval. One 300MW heat-power co-generating unit project of Phase III of Qingdao Company and two 300MW heat-power co-generating units project in Nanjiang, Tanggu, Tianjin have obtained "Lu Tiao".

In addition, the Group's projects of wind power generating units in Hebei and Inner Mongolia with a total capacity of 299MW have obtained "Lu Tiao".

### 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                | Planned installed capacity                 |
|---|--|
| Lingwu Company Phase II Project                   | 2 x 1,000MW thermal power generating units |
| Heat-power Co-generating Project of Luohe Company | 2 x 300MW heat-power co-generating units   |
| Heat-power Co-generating Project of Luhua Company | 2 x 300MW heat-power co-generating units   |
| Liuan Expansion Project                           | 1 x 600MW thermal power generating unit    |
| Luding Hydropower Company                         | 4 x 230MW hydropower generating units      |
| Za-gunao Hydroelectric Company                    | 363MW hydropower generating units          |
| Kailu Wind Power Company                          | 349.5MW wind power generating units        |
| Guyuan Wind Power Project in Hebei                | 100.5MW wind power generating units        |
| Dailiji Wind Power Project                        | 49.5MW wind power generating units         |
| Ningdong Wind Power Company Phase II Project      | 45MW wind power generating units           |
| Total   | <u>5,627.5MW</u>                           |

## MANAGEMENT DISCUSSION AND ANALYSIS

### Macro economy and demand for electricity

According to the statistics of the National Bureau of Statistics of China, in the first half of 2009, the gross domestic product (“GDP”) of the PRC amounted to approximately RMB13,986.2 billion, representing an increase of 7.1% over the corresponding period in 2008 based on comparable prices. Power consumption of the whole society totalled 1,652.6 million MWh, representing a decrease of approximately 2.24% over the corresponding period in 2008, of which the consumption by the primary, secondary and tertiary industries and by urban and rural residents represented an increase of approximately 3.8%, a decrease of approximately 5.7%, an increase of approximately 9.4% and an increase of approximately 9.9% over the corresponding period in 2008 respectively.

### Turnover and profit

During the Period, the turnover of the Group amounted to approximately RMB17,187 million, representing an increase of approximately 25.50% over the corresponding period in 2008. This was mainly due to the increase in the volume of power sold and the on-grid electricity tariffs which increased twice in 2008. The Group’s sale of electricity amounted to approximately RMB16.564 billion, representing an increase of approximately 23.36% over the corresponding period in 2008. The Group’s sale of heat amounted to approximately RMB623 million, representing an increase of approximately 133.54% over the corresponding period in 2008.

During the Period, the Group’s operating profits amounted to approximately RMB2.202 billion, representing an increase of approximately 1,270.59% over the corresponding period in 2008. Profit attributable to equity holders of the Company was approximately RMB545 million while earnings per share were approximately RMB0.09.

### Operating expenses

During the Period, the operating expenses of the Group amounted to approximately RMB14,985 million, representing an increase of approximately 10.73% over the corresponding period in 2008. This was mainly attributable to the newly acquired power enterprises and the commencement of operation of new generating units.

During the Period, the cost of fuel of the Group was approximately RMB10,417 million, which accounted for approximately 69.52% of the Group’s operating expenses, representing an increase of approximately 1.86% over the corresponding period in 2008. This was mainly due to the increase in power generation and the decrease in coal prices.

During the Period, depreciation and amortization expenses of the Group amounted to approximately RMB2,039 million, representing an increase of approximately 20.12% over the corresponding period in 2008. This was mainly due to the increase in depreciation cost of the newly acquired power enterprises and the commencement of operation of new generating units.

During the Period, major overhaul expenses of the Group amounted to approximately RMB265 million, representing an increase of approximately 59.46% over the corresponding period in 2008. This was mainly attributable to the newly acquired power enterprises and the commencement of operation of new generating units.

During the Period, repair and maintenance expenses of the Group amounted to approximately RMB241 million, representing an increase of approximately 66.30% over the corresponding period in 2008. This was mainly attributable to the newly acquired power enterprises and the commencement of operation of new generating units.

During the Period, administrative expenses of the Group amounted to approximately RMB532 million, representing an increase of approximately 35.47% over the corresponding period in 2008. This was mainly due to the newly acquired power enterprises, commencement of operation of new generating units and the increase in the charge rate on pollutant emission.

During the Period, other operating expenses of the Group amounted to approximately RMB563 million, representing an increase of approximately 154.12% over the corresponding period in 2008. This was mainly attributable to the acquisition of power enterprises.

### **Finance costs**

During the Period, net finance costs of the Group amounted to approximately RMB1,509 million, representing an increase of approximately 34.42% when compared with the corresponding period in 2008. This was mainly attributable to the newly acquired power enterprises and the commencement of operation of new generating units.

### **Pledge of assets**

As at 30 June 2009, the Company and its subsidiaries, including Guangan Company, Tengzhou Company, Lingwu Company, Wuhu Company, Za-gunao Hydroelectric Company, Xinxiang Company, Suzhou Company and Shijiazhuang Thermal Power Company have pledged their income stream in respect of the sale of electricity or trade receivables for sale of electricity to banks as securities for bank loans amounting to approximately RMB14,487 million.

## **Indebtedness**

As at 30 June 2009, total borrowings of the Group amounted to approximately RMB63,060 million, of which loans denominated in US dollars and EUR amounted to approximately US\$179 million and EUR17 million, respectively. The debt/assets ratio was approximately 81.95%. On the other hand, the medium-term notes of the Group amounted to approximately RMB2,966 million.

Details of other borrowings of the Group and the Company as at 30 June 2009 are set out in note 17 to the interim financial report (prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”) of this report.

## **Contingent liabilities**

As at 30 June 2009, Guangan Company, a subsidiary of the Company, provided guarantees to banks for loans granted to its associate, Sichuan Huayingshan Longtan Coal Power Company Limited amounting to RMB197 million; and Zhongning Company, a jointly controlled entity of the Company, provided guarantees to banks for loans granted to Ningxia Power Generation Company (Group) Limited amounting to RMB35 million. Except for the guarantees mentioned above, the Group did not have any material contingent liabilities.

## **Cash and cash equivalents**

As at 30 June 2009, cash and cash equivalents owned by the Group amounted to approximately RMB1,985 million.

## **Production, operation and safety**

During the Period, equivalent availability factor of the generating units and equivalent forced suspension rate of the Group were approximately 91.65% and approximately 0.57% respectively.

The Group’s generating units were operating safely and stably during the Period. Tengzhou Company managed by the Group had recorded continuous safe production for over 4,200 days; Weifang Company, Qingdao Company, Laicheng Plant and Zibo Company had recorded continuous safe production for over 3,500 days respectively; Zouxian Plant had recorded continuous safe production for over 3,100 days, each representing their longest safe production record.

During the Period, the Group had undertaken major overhauls for 14 generating units and minor overhauls for 27 generating units, representing a planned overhaul rate of 7.81%.

## **Energy-saving and environment protection**

During the Period, the Group continued to strengthen its effort on environmental protection and proactively built itself as a resource-conservation and environmental-friendly enterprise. As at the date of this report, the Group has strengthened operation management of the generating units with an aggregate capacity of 19,145MW for which desulphurisation devices had been installed. Meanwhile, the Group had also carried out desulphurisation technological renovation for the 4 generating units (with a total capacity of 1,340MW) of Zouxian Plant. The renovation is in smooth progress, which builds up a favourable image for the Group in environmental protection.

## **Issue of 2009 first and second tranches of medium-term notes**

The Company publicly issued the 2009 first and second tranches of medium-term notes in the PRC inter-bank bond market on 17 March 2009 and 25 March 2009 respectively. Please refer to paragraph (1) under Significant Events of this report.

Save as the information disclosed herein, information in respect of the Group's other matters as set out in paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") has not changed materially from that included in the Company's 2008 annual report.

## **BUSINESS OUTLOOK**

In view of the power market, the macro national economy has stabilized and is recovering, while the GDP growth acceleration has started a slow upward swing. The power demand in the regions within the Company's service coverage is estimated to increase gradually in the second half of the year, which has created favorable conditions for the Company to generate more electricity.

As the coal market witnessed equilibrium of supply and demand, it is expected that the growth in demand and supply and the coal price for the second half of the year will remain relatively stable. Such external environment is favorable and beneficial for the Company to enhance its profitability.

As for the capital and funding market, the State will continue to implement active fiscal policies and moderately lenient monetary policies, which will create a favorable policy environment for the Company's funding operation.

The Company will continue to strengthen cost control, implement low cost strategy and make efforts to lower energy consumption for each unit.

## **SIGNIFICANT EVENTS**

### **(1) Issue of 2009 First and Second Tranches of Medium-term Notes**

The Company successfully issued the 2009 First Tranche of Medium-term Notes of Huadian Power International Corporation Limited on 17 March 2009. The principal amount of the issuance is RMB1.5 billion with a term of issue of 3 years. The nominal value of the medium-term notes is RMB100 and the annual interest rate is 3.38%. The medium-term notes were issued publicly in the national inter-bank bond market through the book-building and centralised placing processes. For details, please refer to the announcement of the Company dated 19 March 2009.

The Company successfully issued the 2009 Second Tranche of Medium-term Notes of Huadian Power International Corporation Limited on 25 March 2009. The principal amount of the issuance is RMB1.5 billion with a term of issue of 5 years. The nominal value of the medium-term notes is RMB100 and the annual interest rate is 3.96%. The medium-term notes were issued publicly in the national inter-bank bond market through the book-building and centralised placing processes. For details, please refer to the announcement of the Company dated 27 March 2009.

### **(2) Proposed Non-public Issue of A Shares**

As approved at the 2008 annual general meeting of the Company held on 2 June 2009, the Company may issue a maximum of 750,000,000 new A shares for subscription to not more than 10 target subscribers (including China Huadian Corporation (“China Huadian”), the controlling shareholder of the Company) at a minimum subscription price of RMB4.50 per new A share. The net proceeds from the non-public issue will not be more than RMB3,500 million which is intended to be used mainly for the construction of power generation projects and to replenish working capital of the Group.

For details, please refer to the announcement of the Company dated 8 April 2009, the circular dated 15 April 2009 and the announcement dated 2 June 2009 in relation to voting results of the 2008 annual general meeting.

### **(3) Appointments and Resignations of Independent Non-Executive Directors**

According to the relevant regulations of China Securities Regulatory Commission, the consecutive terms of office of independent non-executive directors of listed companies shall not be more than six years.

Original independent non-executive directors, Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu resigned as independent non-executive directors of the Company with effect from the conclusion of the 2008 annual general meeting held on 2 June 2009. Mr. Wang Yuesheng, Mr. Hao Shuchen, Mr. Ning Jiming and Mr. Yang Jinguan served as independent non-executive directors of the Company with effect from the conclusion of the 2008 annual general meeting held on 2 June 2009.

For details, please refer to the circular of the Company dated 15 April 2009 in relation to the 2008 annual general meeting, the announcement dated 2 June 2009 in relation to voting results of the 2008 annual general meeting and the announcement on appointments and resignations of independent non-executive directors dated 2 June 2009.

### **(4) Amendments to the Articles of Association of the Company**

The amendments to the Articles of Association of the Company were approved by shareholders at the 2008 annual general meeting held on 2 June 2009. The amendments to the Articles of Association of the Company were approved by the State-owned Assets Supervision and Administration Commission of the State Council on 21 July 2009. For details, please refer to the announcement of the Company dated 14 April 2009, the circular dated 15 April 2009 and the announcement dated 2 June 2009 in relation to voting results of the 2008 annual general meeting.

### **(5) Change of the Office Address**

The Company has moved to its new office address at No. 2 Xuanwumengnei Street, Xicheng District, Beijing (Post Code: 100031).

For details, please refer to the Company's announcement dated 22 June 2009.



## **(6) Acquisition of Equity Interests in Coal Mines**

Shanxi Maohua Energy Investment Company Limited (“Maohua Company”), a wholly-owned subsidiary of the Company, acquired 70% equity interest in Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited (“Wantongyuan Erpu Coal Company”) at a consideration of RMB397.60 million and 70% equity interest in Shanxi Dongyi Zhonghou Coal Company Limited (“Dongyi Zhonghou Coal Company”) at a consideration of RMB362.60 million.

Wantongyuan Erpu Coal Company currently has a coal reserve of 151.51 million tonnes, an exploitable reserve of 72.85 million tonnes and an approved designed production capacity of 900,000 tonnes per year which is capable of expanding to 1.80 million tonnes per year. Dongyi Zhonghou Coal Company currently has a coal reserve of 128.01 million tonnes, an exploitable reserve of 60.28 million tonnes and an approved designed production capacity of 450,000 tonnes per year, which is capable of expanding to 1.20 million tonnes per year.

Maohua Company’s acquisitions of Wantongyuan Erpu Coal Company and Dongyi Zhonghou Coal Company are expected to help the Company to secure a stable coal supply for the Company’s power plants and facilitate the Company in obtaining more coal resources and more room for development. Meanwhile, it is expected that the acquisitions of Wantongyuan Erpu Coal Company and Dongyi Zhonghou Coal Company may also bring the Company stable economic returns, which are expected to contribute to the upstream and downstream industry chain of the Company and the seeking of new areas of profit growth.

For details, please refer to the Company’s announcement dated 6 July 2009.

## CONNECTED TRANSACTIONS

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

### **(1) Capital Increase in China Huadian Group New Energy Development Company Limited (“Huadian New Energy”)**

On 15 January 2009, the Company entered into the Capital Increase Agreement with China Huadian, Huadian Energy Corporation Limited, Guizhou Wujiang Hydropower Development Company Limited and China Huadian Engineering (Group) Company Limited (“Huadian Engineering”). Pursuant to this agreement, the parties thereto agreed to contribute capital to Huadian New Energy. Upon completion of the 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.

Details of the transaction are set out in the Company’s announcement dated 15 January 2009.

### **(2) Project contracts with Huadian Engineering**

On 20 February 2009, Lingwu Company, a non-wholly-owned subsidiary of the 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 several 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 these project contracts is RMB81,050,500, which shall be funded by internal resources of Lingwu Company.

Details of the transactions are set out in the Company’s announcement dated 20 February 2009.

**(3) Proposed subscription of new A shares by China Huadian**

On 8 April 2009, the Company entered into an agreement with China Huadian in relation to China Huadian's subscription for the new A shares to be issued by the Company, pursuant to which China Huadian will, at a subscription price of not less than RMB4.50 per share, subscribe in cash for not more than 150,000,000 new A shares of par value of RMB1.00 each with a total subscription amount of RMB675 million (assuming subscription of the maximum 150,000,000 new A shares under the China Huadian Subscription Agreement). The new A shares subscription price of China Huadian shall be the same as the subscription price of investors subscribing for the new A shares under the proposed placing. Immediately after completion of the China Huadian's subscription, China Huadian will hold in aggregate of not more than 3,196,923,853 shares (including not more than 3,111,061,853 A shares and 85,862,000 H shares), representing approximately 47.21% (assuming full subscription and issuance of 750,000,000 new A shares under the proposed placing) of the enlarged total issued share capital of the Company.

For details, please refer to the announcement of the Company dated 8 April 2009, the circular dated 15 April 2009 and the announcement dated 2 June 2009 in relation to voting results of the 2008 annual general meeting.

**(4) Continuing connected transactions with Huadian Coal Industry Group Company Limited ("Huadian Coal")**

On 15 May 2009, the Company and Huadian Coal entered into an agreement, pursuant to which the Company appointed Huadian Coal to provide management and co-ordination services in relation to procurement of coal in the PRC for a total annual service fee not exceeding RMB56.00 million for 2009. The Company has entered into a similar coal procurement service agreement in 2008 with Huadian Coal.

For details, please refer to the announcement of the Company dated 15 May 2009.

## SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, each of the following persons, not being a director, supervisor, chief executive or 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) as at 30 June 2009 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 30 June 2009, interested in 5% or more of any class of the then issued share capital of the Company, or was, as at 30 June 2009, a substantial shareholder (as defined in the Listing Rules) of the Company:

| Name of shareholder                      | Class of shares | Number of shares held      | Interest as at 30 June 2009  |   |   |
|--|-----------------|----------------------------|--|---|---|
|  |                 |                            | Approximate percentage of shareholding in the Company's total issued share capital | Approximate percentage of shareholding in the Company's total issued A shares | Approximate percentage of shareholding in the Company's total issued H shares |
| China Huadian                            | A shares        | 2,961,061,853              | 49.18%   | 64.51%  | —   |
|  | H shares        | 85,862,000 (L)<br>(Note 1) | 1.42%  | —   | 6.00%   |
| Shandong International Trust Corporation | A shares        | 800,766,729                | 13.30%   | 17.45%  | —   |
| Allianz SE (Note 2)                      | H shares        | 159,335,000 (L)            | 2.65%  | —   | 11.13%  |
| JPMorgan Chase & Co.<br>(Note 2)         | H shares        | 98,306,000 (L)             | 1.63%  | —   | 6.87%   |
|  |                 | 3,464,000 (S)              | 0.06%  | —   | 0.24%   |
|  |                 | 64,751,000 (P)             | 1.08%  | —   | 4.52%   |
| HKSCC Nominees Limited<br>(Note 3)       | H shares        | 1,424,059,900              | 23.65%   | —   | 99.51%  |

(L): Long position (S): Short position (P): Lending pool

Notes:

1. *H shares held in the name of HKSCC Nominees Limited and directly held through its wholly-owned subsidiary China Huadian Hong Kong Co., Ltd..*
2. *Shares held in the 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 30 June 2009, 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 was individually interested in 5% or more of the Company's then total issued H shares of the Company as at 30 June 2009.*

Save as disclosed above and so far as the directors are aware, as at 30 June 2009, no other persons (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.

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

As at 30 June 2009, 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 debenture certificates (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 (i) 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 members of senior management of the Company was taken or deemed to have under such provisions of the SFO) or was (ii) 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 (iii) 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 (the "Model Code") as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the directors of the Company).

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

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

## **DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS**

As at 30 June 2009, the Group's deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material time deposits which could not be collected by the Group upon maturity.

## **MATERIAL LITIGATION**

During the Period, the Group was not involved in any material litigation or arbitration. In addition, 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 30 June 2009, the Group was the plaintiff of some other litigations arising from the ordinary course of its business. The likely outcome of these contingent liabilities, litigation and other legal proceedings is not certain. However, the management of the Group believes any possible legal liability which may arise from the above cases will not have a material adverse effect on the Group's financial condition and operating results.

## **AUDIT COMMITTEE**

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

## CORPORATE GOVERNANCE PRACTICES

The Company has adhered to the corporate governance and pressed ahead to innovate management. In strict compliance with the PRC Company Law, the PRC Securities Law, the Listing Rules of Shanghai Stock Exchange, the Listing Rules and relevant provisions promulgated by domestic and overseas securities regulatory institutions, the Company has improved the structure of corporate governance, enhanced the level of the Company's governance and endeavored to realize a harmonious development between the Company's growth and the interest of its shareholders.

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

The Company has made amendments to its Articles of Association during the first half of the year to accommodate for its development and the regulatory requirements. Apart from the establishment and improvement of the standardized operating systems of the general meetings, boards of directors, supervisory committees of the Company and its subsidiaries, independent directors, the Audit Committee and the supervisory committee have actively supervised the preparation of regular reports whereas non-executive directors and supervisors have performed their duties by carrying out annual review and the supervisory committee has advanced its supervisory duties. The Company has upheld transparency and compliance in standard information disclosures. In addition, trainings regarding corporate governance and standard operation were provided to the directors, supervisors and secretaries to the board of subsidiaries of the Company. In view of relevant requirements of internal control, regular assessments on internal control of the Company were made accordingly.

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

The major aspects which are more stringent than the code provisions set out in the Code include:

- During the Period, a total of 3 Board meetings were held by the Company.
- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited by directors (supervisors) for the directors and supervisors of the Company and the Code on Trading in Securities of Huadian Power International Corporation Limited by Employees for its employees, which are on terms no less exacting than those set out in the Model Code set out in Appendix 10 to the Listing Rules.
- The Audit Committee comprises five members, including two non-executive directors and three independent non-executive directors. The Audit Committee is chaired by independent non-executive director Mr. Yang Jinguan and comprises four members including independent non-executive directors Wang Yuesheng and Hao Shuchen and non-executive directors Chen Bin and Wang Yingli. The Audit Committee is mainly responsible for the communication between the Company's internal and external audit, supervision and examination while giving advice to the Board on audit, internal control and corporate governance.
- In addition to the Audit Committee and the Remuneration Committee, the Company has established its Strategic Committee and formulated Working Procedures for Strategic Committee. Its main duties include:
  1. studying and recommending on the strategic planning for the long-term development of the Company;
  2. studying and recommending on financing proposals in major investments requiring approval of the Board;
  3. studying and recommending on major production and operation projects requiring approval of the Board;
  4. studying and recommending on other significant events that impact on the development of the Company;
  5. monitoring the implementation of the above matters; and
  6. attending to other matters as requested by the Board.



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

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

Yun Gongmin (Chairman, Non-executive Director), Chen Feihu (Vice Chairman, Non-executive Director), Meng Fanli (Vice Chairman, Non-executive Director), Chen Jianhua (Executive Director), Wang Yingli (Non-executive Director), Chen Bin (Non-executive Director), Zhong Tonglin (Executive Director), Chu Yu (Non-executive Director), Wang Yuesheng (Independent Non-executive Director), Hao Shuchen (Independent Non-executive Director), Ning Jiming (Independent Non-executive Director) and Yang Jinguan (Independent Non-executive Director).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME***for the six months ended 30 June 2009 (unaudited)**(Expressed in Renminbi)*

|   |             | <b>Six months ended 30 June</b> |                |
|---|-------------|---------------------------------|----------------|
|   | <i>Note</i> | <b>2009</b>                     | <b>2008</b>    |
|   |             | <b>RMB'000</b>                  | <b>RMB'000</b> |
| <b>Turnover</b>                                   | 5           | <b>17,186,920</b>               | 13,694,353     |
| <b>Operating expenses</b>                         |             |                                 |                |
| Fuel costs  |             | <b>(10,417,195)</b>             | (10,226,643)   |
| Depreciation and amortisation                     |             | <b>(2,038,811)</b>              | (1,697,310)    |
| Major overhaul expenses                           |             | <b>(265,132)</b>                | (166,268)      |
| Repairs and maintenance                           |             | <b>(240,768)</b>                | (144,780)      |
| Personnel costs                                   |             | <b>(779,335)</b>                | (571,894)      |
| Administrative expenses                           |             | <b>(532,331)</b>                | (392,956)      |
| Sales related taxes                               |             | <b>(149,146)</b>                | (112,473)      |
| Other operating expenses                          |             | <b>(562,610)</b>                | (221,398)      |
|   |             | <b>(14,985,328)</b>             | (13,533,722)   |
| <b>Profit from operations</b>                     |             | <b>2,201,592</b>                | 160,631        |
| Investment income                                 |             | <b>12,259</b>                   | 18,731         |
| Other net income                                  |             | <b>69,517</b>                   | 113,745        |
| Net finance costs                                 | 6           | <b>(1,508,849)</b>              | (1,122,468)    |
| Share of profits less<br>(losses) of associates   |             | <b>113,241</b>                  | (533)          |
| Share of profit of a jointly<br>controlled entity |             | <b>1,927</b>                    | 21,046         |
| <b>Profit/(loss) before taxation</b>              | 7           | <b>889,687</b>                  | (808,848)      |
| Income tax (charge)/credit                        | 8           | <b>(174,658)</b>                | 228,848        |
| <b>Profit/(loss) for the period</b>               |             | <b>715,029</b>                  | (580,000)      |

Interim Financial Report (International)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**(CONTINUED)**

for the six months ended 30 June 2009 (unaudited)  
(Expressed in Renminbi)

|   |      | Six months ended 30 June<br>2009<br>RMB'000 | 2008<br>RMB'000           |
|---|------|---|---------------------------|
|   | Note |   |                           |
| <b>Profit/(loss) for the period</b>   |      | <b>715,029</b>                              | <b>(580,000)</b>          |
| <b>Other comprehensive income/<br/>(expense) for the period (after<br/>tax and reclassification adjustments):</b> |      |   |                           |
| Available-for-sale securities: net<br>movement in fair value reserve  | 9    | <u>34,386</u>                               | <u>(5,905)</u>            |
| <b>Total comprehensive income/<br/>(expense) for the period</b>   |      | <u><b>749,415</b></u>                       | <u><b>(585,905)</b></u>   |
| <b>Profit/(loss) attributable to:</b>   |      |   |                           |
| Equity shareholders of the Company  |      | <u>544,825</u>                              | <u>(506,323)</u>          |
| Minority interests  |      | <u>170,204</u>                              | <u>(73,677)</u>           |
|   |      | <u><b>715,029</b></u>                       | <u><b>(580,000)</b></u>   |
| <b>Total comprehensive income/<br/>(expense) attributable to:</b>   |      |   |                           |
| Equity shareholders of the Company  |      | <u>578,233</u>                              | <u>(512,228)</u>          |
| Minority interests  |      | <u>171,182</u>                              | <u>(73,677)</u>           |
|   |      | <u><b>749,415</b></u>                       | <u><b>(585,905)</b></u>   |
| <b>Basic and diluted earnings/<br/>(losses) per share</b>   | 10   | <u><b>RMB 0.090</b></u>                     | <u><b>RMB (0.084)</b></u> |

The notes on pages 32 to 56 form part of this interim financial report.

**CONSOLIDATED BALANCE SHEET**

as at 30 June 2009 (unaudited)  
(Expressed in Renminbi)

|  |      | At 30 June<br>2009<br>RMB'000 | At 31 December<br>2008<br>RMB'000 |
|--|------|-------------------------------|-----------------------------------|
|  | Note |                               |                                   |
| <b>Non-current assets</b>                      |      |                               |                                   |
| Property, plant and equipment                  | 11   | 61,903,437                    | 60,876,273                        |
| Construction in progress                       | 12   | 15,939,089                    | 13,099,105                        |
| Lease prepayments                              |      | 877,075                       | 896,460                           |
| Intangible assets                              | 13   | 2,817,537                     | 1,060,906                         |
| Interest in associates                         |      | 3,466,738                     | 1,969,653                         |
| Interest in jointly controlled entity          |      | 219,281                       | 221,817                           |
| Available-for-sale securities                  |      | 56,168                        | —                                 |
| Other investments                              |      | 573,542                       | 501,253                           |
| Deferred tax assets                            |      | 180,135                       | 235,843                           |
|  |      | <u>86,033,002</u>             | <u>78,861,310</u>                 |
| <b>Current assets</b>                          |      |                               |                                   |
| Inventories                                    |      | 1,492,929                     | 1,782,160                         |
| Trade debtors and bills receivable             | 14   | 3,263,958                     | 1,969,298                         |
| Deposits, other receivables<br>and prepayments |      | 1,337,324                     | 880,840                           |
| Tax recoverable                                |      | 51,224                        | 49,723                            |
| Restricted deposits                            | 15   | 2,297                         | 4,791                             |
| Cash and cash equivalents                      | 16   | 1,984,917                     | 1,869,305                         |
|  |      | <u>8,132,649</u>              | <u>6,556,117</u>                  |

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

as at 30 June 2009 (unaudited)

(Expressed in Renminbi)

|  | Note | At 30 June<br>2009<br>RMB'000 | At 31 December<br>2008<br>RMB'000 |
|--|------|-------------------------------|-----------------------------------|
| <b>Current liabilities</b>                                   |      |                               |                                   |
| Bank loans   |      | 15,358,650                    | 14,249,721                        |
| Loans from shareholders                                      |      | 934,310                       | 660,000                           |
| State loans  |      | 11,263                        | 10,192                            |
| Other loans  | 17   | 4,649,022                     | 1,763,662                         |
| Short-term debenture payables                                | 18   | —                             | 2,605,798                         |
| Amount due to holding company                                |      | 94,042                        | 964,096                           |
| Trade creditors and bills payable                            | 19   | 5,620,199                     | 5,118,511                         |
| Other payables   |      | 3,166,325                     | 2,369,629                         |
| Tax payable  |      | 9,613                         | 10,216                            |
|  |      | <u>29,843,424</u>             | <u>27,751,825</u>                 |
| <b>Net current liabilities</b>                               |      | <u>(21,710,775)</u>           | <u>(21,195,708)</u>               |
| <b>Total assets less current liabilities carried forward</b> |      | <u>64,322,227</u>             | <u>57,665,602</u>                 |

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

as at 30 June 2009 (unaudited)  
(Expressed in Renminbi)

|  | Note | At 30 June<br>2009<br>RMB'000 | At 31 December<br>2008<br>RMB'000 |
|--|------|-------------------------------|-----------------------------------|
| <b>Total assets less current liabilities<br/>brought forward</b>           |      | <b>64,322,227</b>             | 57,665,602                        |
| <b>Non-current liabilities</b>   |      |                               |                                   |
| Bank loans   |      | 36,858,603                    | 36,061,811                        |
| Loans from shareholders  |      | 2,085,145                     | 1,951,528                         |
| State loans  |      | 44,051                        | 50,135                            |
| Other loans  | 17   | 3,118,630                     | 2,306,569                         |
| Medium-term notes  | 20   | 2,966,489                     | —                                 |
| Other non-current liabilities  |      | 426,626                       | —                                 |
| Deferred government grants   |      | 342,554                       | 284,951                           |
| Deferred income  |      | 141,937                       | 136,034                           |
| Deferred tax liabilities   |      | 1,345,569                     | 937,794                           |
|  |      | <b>47,329,604</b>             | 41,728,822                        |
| <b>Net assets</b>  |      | <b>16,992,623</b>             | 15,936,780                        |
| <b>Capital and reserves</b>  |      |                               |                                   |
| Share capital  |      | 6,021,084                     | 6,021,084                         |
| Reserves   |      | 5,993,382                     | 5,405,231                         |
| <b>Total equity attributable to equity<br/>shareholders of the Company</b> |      | <b>12,014,466</b>             | 11,426,315                        |
| <b>Minority interests</b>  |      | <b>4,978,157</b>              | 4,510,465                         |
| <b>Total equity</b>  |      | <b>16,992,623</b>             | 15,936,780                        |

The notes on pages 32 to 56 form part of this interim financial report.

Interim Financial Report (International)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six months ended 30 June 2009 (unaudited)  
(Expressed in Renminbi)

|   | Attributable to equity shareholders of the Company |                  |                   |               |                               |                     |                    |                   |                  |                    |              |
|---|--|------------------|-------------------|---------------|-------------------------------|---------------------|--------------------|-------------------|------------------|--------------------|--------------|
|   | Share capital                                      | Capital reserve  | Statutory surplus |               | Discretionary surplus reserve | Revaluation reserve | Fair value reserve | Retained profits  | Total            | Minority interests | Total equity |
|   |  |                  | reserve           | reserve       |                               |                     |                    |                   |                  |                    |              |
| Note  | RMB'000  | RMB'000          | RMB'000           | RMB'000       | RMB'000                       | RMB'000             | RMB'000            | RMB'000           | RMB'000          | RMB'000            |              |
| Balance at 1 January 2009   | 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         |              |
| Capital injection from minority equity shareholders of subsidiaries | —  | —                | —                 | —             | —                             | —                   | —                  | —                 | 115,920          | 115,920            |              |
| Acquisition of minority interests                                   | —  | —                | —                 | —             | —                             | —                   | —                  | —                 | (213,247)        | (213,247)          |              |
| Net loss on dilution of equity interest in subsidiaries             | —  | —                | —                 | —             | —                             | —                   | (8,248)            | (8,248)           | 8,248            | —                  |              |
| Contribution from ultimate holding company                          | —  | 18,166           | —                 | —             | —                             | —                   | —                  | 18,166            | 18,906           | 37,072             |              |
| Acquisition of subsidiaries   | 26   | —                | —                 | —             | —                             | —                   | —                  | —                 | 424,928          | 424,928            |              |
| Dividends approved for minority equity shareholders of subsidiaries | —  | —                | —                 | —             | —                             | —                   | —                  | —                 | (58,245)         | (58,245)           |              |
| Total comprehensive income for the period                           | —  | —                | —                 | —             | —                             | 33,408              | 544,825            | 578,233           | 171,182          | 749,415            |              |
| Balance at 30 June 2009   | <u>6,021,084</u>                                   | <u>1,927,640</u> | <u>1,404,520</u>  | <u>68,089</u> | <u>44,726</u>                 | <u>16,339</u>       | <u>2,532,068</u>   | <u>12,014,466</u> | <u>4,978,157</u> | <u>16,992,623</u>  |              |
| Balance at 1 January 2008   | 6,021,084  | 1,897,919        | 1,404,520         | 68,089        | 44,726                        | —                   | 4,863,481          | 14,299,819        | 3,842,863        | 18,142,682         |              |
| Capital injection from minority equity shareholders of subsidiaries | —  | —                | —                 | —             | —                             | —                   | —                  | —                 | 16,132           | 16,132             |              |
| Dividends approved for minority equity shareholders of subsidiaries | —  | —                | —                 | —             | —                             | —                   | —                  | —                 | (46,274)         | (46,274)           |              |
| Dividends approved for equity shareholders of the Company           | 21   | —                | —                 | —             | —                             | —                   | (373,307)          | (373,307)         | —                | (373,307)          |              |
| Total comprehensive expense for the period                          | —  | —                | —                 | —             | —                             | (5,905)             | (506,323)          | (512,228)         | (73,677)         | (585,905)          |              |
| Balance at 30 June 2008   | <u>6,021,084</u>                                   | <u>1,897,919</u> | <u>1,404,520</u>  | <u>68,089</u> | <u>44,726</u>                 | <u>(5,905)</u>      | <u>3,983,851</u>   | <u>13,414,284</u> | <u>3,739,044</u> | <u>17,153,328</u>  |              |

The notes on pages 32 to 56 form part of this interim financial report.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT**

for the six months ended 30 June 2009 (unaudited)  
(Expressed in Renminbi)

|   | Note | Six months ended 30 June |                         |
|---|------|--------------------------|-------------------------|
|   |      | 2009<br>RMB'000          | 2008<br>RMB'000         |
| Cash generated from/<br>(used in) operations              |      | 1,868,699                | (67,356)                |
| Tax paid  |      | <u>(46,112)</u>          | <u>(111,292)</u>        |
| Net cash generated from/(used in)<br>operating activities |      | 1,822,587                | (178,648)               |
| Net cash used in investing activities                     |      | <u>(7,765,865)</u>       | <u>(6,650,962)</u>      |
| Net cash generated from<br>financing activities           |      | <u>6,058,890</u>         | <u>8,141,927</u>        |
| Increase in cash and cash equivalents                     |      | 115,612                  | 1,312,317               |
| Cash and cash equivalents<br>at 1 January                 |      | <u>1,869,305</u>         | <u>1,373,289</u>        |
| Cash and cash equivalents<br>at 30 June                   | 16   | <u><u>1,984,917</u></u>  | <u><u>2,685,606</u></u> |

The notes on pages 32 to 56 form part of this interim financial report.



## **NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

*(Expressed in Renminbi)*

### **1 Background**

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

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

### **2 Basis of preparation**

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, “Interim financial reporting” issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 11 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) promulgated by the IASB. IFRS includes all applicable IFRSs, IASs and related interpretations.

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)**

*(Expressed in Renminbi)*

### **2 Basis of preparation (Continued)**

The interim financial report set out on pages 25 to 56 is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on pages 57 to 58.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Company's annual financial statements prepared under IFRS for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2008 are available from the Company's legal office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 8 April 2009.

### **3 Changes in accounting policies**

The IASB has issued one new IFRS, a number of amendments to IFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to IAS 27, *Consolidated and separate financial statements — cost of an investment in a subsidiary, jointly controlled entity or associate*
- Amendments to IFRS 7, *Financial instruments: Disclosure - improving disclosures about financial instruments*
- IAS 23 (revised 2007), *Borrowing costs*

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

*(Expressed in Renminbi)*

**3 Changes in accounting policies *(Continued)***

The amendments to IAS 23 have had no material impact on the Group's financial statements as the amendments are consistent with policy already adopted by the Group. In addition, the amendments to IFRS 7 do not contain any additional disclosure requirements specifically applicable to the interim financial report. The impact of the remainder of these developments on the interim financial report is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas.
- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity has been adopted in this interim financial report and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expenses or net assets for any period presented.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

### 3 Changes in accounting policies (Continued)

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009 all dividends receivable from subsidiaries, associates and jointly controlled entities, whether out of pre- or post-acquisition profits, will be recognised in the Group's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividends. In such cases, in addition to recognising dividend income in profit or loss, the Group would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

### 4 Segment reporting

The Group principally has one reportable segment, which is the generation and sale of electricity and heat in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed. The Group's major customer is the grid operator in relation to the sale of electricity and the revenue has been disclosed in note 24(d).

### 5 Turnover

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

|                     | <b>Six months ended 30 June</b> |                          |
|---------------------|---------------------------------|--------------------------|
|                     | <b>2009</b>                     | <b>2008</b>              |
|                     | <b>RMB'000</b>                  | <b>RMB'000</b>           |
| Sale of electricity | <b>16,563,803</b>               | 13,427,544               |
| Sale of heat        | <b>623,117</b>                  | 266,809                  |
|                     | <b><u>17,186,920</u></b>        | <b><u>13,694,353</u></b> |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

### 6 Net finance costs

|                                  | Six months ended 30 June |                  |
|----------------------------------|--------------------------|------------------|
|                                  | 2009                     | 2008             |
|                                  | RMB'000                  | RMB'000          |
| Interest on bank and other loans | 1,809,797                | 1,413,139        |
| Less: Interest capitalised       | (298,555)                | (190,061)        |
| Net interest expenses            | 1,511,242                | 1,223,078        |
| Less: Interest income            | (11,043)                 | (11,107)         |
| Net foreign exchange gain        | (681)                    | (89,503)         |
| Add: Other finance costs         | 9,331                    | —                |
| Net finance costs                | <u>1,508,849</u>         | <u>1,122,468</u> |

The interest costs have been capitalised at an average rate of 5.40% per annum (six months ended 30 June 2008: 6.53%) for construction in progress.

### 7 Profit/(loss) before taxation

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

|  | Six months ended 30 June |                   |
|--|--------------------------|-------------------|
|  | 2009                     | 2008              |
|  | RMB'000                  | RMB'000           |
| Cost of inventories  | 11,387,019               | 10,615,658        |
| Amortisation of intangible assets<br>and lease prepayments | 20,864                   | 19,010            |
| Depreciation   | 2,017,875                | 1,678,300         |
| Dividend income  | (12,259)                 | (18,731)          |
| Share of associates' taxation                              | 39,681                   | 10,786            |
| Share of jointly controlled<br>entity's taxation           | 3,167                    | 7,968             |
| Gain on sale of property,<br>plant and equipment           | (464)                    | (74,824)          |
|  | <u>11,387,019</u>        | <u>10,615,658</u> |

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT****(CONTINUED)***(Expressed in Renminbi)***8 Income tax**

|   | <b>Six months ended 30 June</b> |                |
|---|---------------------------------|----------------|
|   | <b>2009</b>                     | <b>2008</b>    |
|   | <b>RMB'000</b>                  | <b>RMB'000</b> |
| <b>Current tax</b>                                      |                                 |                |
| Charge for the PRC enterprise income tax for the period | <b>36,993</b>                   | 3,965          |
| Under/(over)-provision in respect of previous years     | <b>2,546</b>                    | (25,558)       |
|   | <b>39,539</b>                   | (21,593)       |
| <b>Deferred tax</b>                                     |                                 |                |
| Origination and reversal of temporary differences       | <b>135,119</b>                  | (227,032)      |
| Under-provision in respect of previous years            | <b>—</b>                        | 19,777         |
|   | <b>135,119</b>                  | (207,255)      |
|   | <b>174,658</b>                  | (228,848)      |

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (six months ended 30 June 2008: 25%) on the estimated assessable profits of the Group for the six months ended 30 June 2009 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%.

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

(Expressed in Renminbi)

**9 Other comprehensive income/(expense)**

|   | <b>Six months ended 30 June</b> |                |
|---|---------------------------------|----------------|
|   | <b>2009</b>                     | <b>2008</b>    |
|   | <b>RMB'000</b>                  | <b>RMB'000</b> |
| <b>Available-for-sale securities</b>  |                                 |                |
| Changes in fair value recognised during the period  | <b>40,441</b>                   | (4,583)        |
| Reclassification adjustments for amounts transferred to profit or loss:                                     |                                 |                |
| — losses/(gains) on disposal  | <b>600</b>                      | (1,322)        |
| Net deferred tax debited to other comprehensive income  | <b>(6,655)</b>                  | —              |
| Net movement in the fair value reserve during the period recognised in other comprehensive income/(expense) | <b>34,386</b>                   | (5,905)        |

**10 Earnings/(losses) per share**

**(a) Basic earnings/(losses) per share**

The calculation of basic earnings/(losses) per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2009 of RMB544,825,000 (six months ended 30 June 2008: loss attributable to ordinary equity shareholders of the Company RMB506,323,000) and the number of shares in issue during the six months ended 30 June 2009 of 6,021,084,200 (six months ended 30 June 2008: 6,021,084,200).

**(b) Diluted earnings/(losses) per share**

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2008 and 2009.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

### 11 Property, plant and equipment

During the six months ended 30 June 2009, the Group acquired items of property, plant and equipment of approximately RMB3,051 million (six months ended 30 June 2008: approximately RMB90 million), of which the portions acquired through transfer from construction in progress and through acquisition of subsidiaries were approximately RMB2,505 million (six months ended 30 June 2008: approximately RMB72 million) and RMB528 million (six months ended 30 June 2008: approximately RMB Nil), respectively. Items of property, plant and equipment with net book value of approximately RMB2 million (six months ended 30 June 2008: approximately RMB11 million) were disposed of during the six months ended 30 June 2009.

### 12 Construction in progress

The acquisition and transfer of items of construction in progress during the six months ended 30 June 2008 and 2009 are as follows:

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2009                     | 2008            |
|   | <i>RMB'000</i>           | <i>RMB'000</i>  |
| Additions                                       | 5,292,788                | 4,094,477       |
| Addition through acquisition<br>of subsidiaries | 51,931                   | —               |
| Transfer to property, plant<br>and equipment    | <u>(2,504,735)</u>       | <u>(71,993)</u> |



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

(Expressed in Renminbi)

**13 Intangible assets**

Intangible assets mainly represent goodwill arising from business combinations of RMB280 million (31 December 2008: RMB266 million), mining rights of RMB1,692 million (31 December 2008: RMB Nil) and land use rights of RMB835 million (31 December 2008: RMB835 million) assigned by the PRC's land bureau with indefinite land use period.

During the six months ended 30 June 2009, the Group acquired items of intangible assets of approximately RMB1,757 million (six months ended 30 June 2008: RMB Nil), of which the portions acquired through acquisition of subsidiaries were approximately RMB1,747 million (six months ended 30 June 2008: RMB Nil).

**14 Trade debtors and bills receivable**

|   | At 30 June<br>2009<br><i>RMB'000</i> | At 31 December<br>2008<br><i>RMB'000</i> |
|---|--------------------------------------|--|
| Trade debtors and bills receivable<br>for sale of electricity | <b>3,165,001</b>                     | 1,868,395                                |
| Trade debtors and bills receivable<br>for sale of heat        | <b>130,590</b>                       | 128,404                                  |
| Trade debtors and bills receivable<br>for other operations    | <b>1,000</b>                         | 5,132                                    |
|   | <b>3,296,591</b>                     | 2,001,931                                |
| Less: Allowance for doubtful debts                            | <b>(32,633)</b>                      | (32,633)                                 |
|   | <b><u>3,263,958</u></b>              | <b><u>1,969,298</u></b>                  |

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.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

### 14 Trade debtors and bills receivable (Continued)

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

|                            | At 30 June<br>2009<br>RMB'000 | At 31 December<br>2008<br>RMB'000 |
|----------------------------|-------------------------------|-----------------------------------|
| Current                    | 3,189,213                     | 1,957,103                         |
| Less than 1 year past due  | 65,410                        | 3,679                             |
| 1 to 2 years past due      | —                             | 383                               |
| 2 to 3 years past due      | 1,202                         | —                                 |
| More than 3 years past due | 8,133                         | 8,133                             |
| Amount past due            | 74,745                        | 12,195                            |
|                            | <b>3,263,958</b>              | <b>1,969,298</b>                  |

### 15 Restricted deposits

Restricted deposits represent cash pledged as collateral for bills payable.

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

(Expressed in Renminbi)

**16 Cash and cash equivalents**

|   | At 30 June<br>2009<br>RMB'000 | At 31 December<br>2008<br>RMB'000 |
|---|-------------------------------|-----------------------------------|
| Cash at bank and in hand                                | 931,282                       | 677,394                           |
| Cash at other financial institutions                    | 994,438                       | 959,043                           |
| Deposits with banks and other<br>financial institutions | 59,197                        | 232,868                           |
|   | <u>1,984,917</u>              | <u>1,869,305</u>                  |

**17 Other loans**

Other loans included loans from China Huadian Finance Corporation Limited ("China Huadian Finance") of RMB4,388,285,000 (31 December 2008: RMB3,388,695,000) and various trust companies of RMB3,023,194,000 (31 December 2008: RMB648,420,000).

All of the other loans are unsecured, except for an amount of RMB476,550,000 (31 December 2008: RMB480,150,000) in respect of a subsidiary, which is secured by the income stream in respect of the sales of electricity of the subsidiary.

**18 Short-term debenture payables**

On 17 March 2008, the Group issued short-term debentures of RMB2,500,000,000 at par with maturity period of 365 days in the PRC interbank debenture market. The short-term debentures were repaid on 18 March 2009.

**19 Trade creditors and bills payable**

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT****(CONTINUED)***(Expressed in Renminbi)***20 Medium-term notes**

On 17 March 2009 and 25 March 2009, the Company issued the first and second tranche of medium-term notes for the year of 2009 respectively in the PRC interbank debenture market. The first tranche are 3-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each with an effective interest rate of 3.71% per annum. The second tranche are 5-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each with an effective interest rate of 4.33% per annum.

**21 Dividends****(a) Dividends payable to equity shareholders attributable to the interim period:**

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB Nil).

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

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2009</b>                     | <b>2008</b>    |
|  | <b>RMB'000</b>                  | <b>RMB'000</b> |
| Final dividend in respect of the financial year ended 31 December 2008, approved during the following interim period, of RMB nil per share (year ended 31 December 2007: RMB0.062 per share) | <u>—</u>                        | <u>373,307</u> |

No dividend was paid during the six months period ended 30 June 2009 (six months ended 30 June 2008: RMB Nil).

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

(Expressed in Renminbi)

**22 Capital commitments outstanding not provided for in the interim financial report**

- (a) **The Group had capital commitments outstanding as at 30 June 2009 and 31 December 2008 not provided for as follows:**

|   | At 30 June<br>2009<br><i>RMB'000</i> | At 31 December<br>2008<br><i>RMB'000</i> |
|---|--------------------------------------|--|
| Contracted for                              |                                      |  |
| — Development of power plants               | <b>18,214,668</b>                    | 18,224,867                               |
| — Investments                               | <b>273,595</b>                       | 313,595                                  |
| — Technical improvement projects and others | <b>331,351</b>                       | 443,792                                  |
|   | <b>18,819,614</b>                    | 18,982,254                               |
| Authorised but not contracted for           |                                      |  |
| — Development of power plants               | <b>12,702,204</b>                    | 7,609,763                                |
| — Technical improvement projects and others | <b>563,001</b>                       | 431,899                                  |
|   | <b>13,265,205</b>                    | 8,041,662                                |
|   | <b>32,084,819</b>                    | 27,023,916                               |

- (b) The Group did not have significant proportionate share of the jointly controlled entity's capital expenditure commitments at 30 June 2009 and 31 December 2008.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

### 23 Contingent liabilities

A coal supplier of Sichuan Guangan Power Generation Company Limited (“Guangan Company”) commenced legal proceedings against Guangan Company for price of coal purchased. The litigation is in the process of appeal. Up to the date of authorisation of the interim financial report, based on relevant legal opinion, the Group believes that it is more probable than not that Guangan Company will win the appeal. Accordingly, no provision has been recognised.

At 30 June 2009, apart from guarantees provided by the Group as disclosed in note 24(a), the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB541,120,000 (31 December 2008: RMB405,320,000).

### 24 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 Corporation (“China Huadian”)                                | A shareholder of the Company       |
| Shandong International Trust Corporation                                   | A shareholder of the Company       |
| China Huadian Engineering (Group) Corporation and its subsidiaries         | Fellow subsidiaries of the Company |
| China Huadian Finance  | An associate of the Group          |
| Huadian Coal Industry Group Company Limited                                | An associate of the Group          |
| China Huadian Group New Energy Development Company Limited                 | An associate of the Group          |
| CHD Power Plant Operation Company Limited                                  | A fellow subsidiary of the Company |
| Sichuan Huayingshan Longtan Coal Company Limited (“Longtan Coal Company”)  | An associate of the Group          |
| Ningxia Power Generation (Group) Company Limited (“Ningxia Power Company”) | An associate of the Group          |

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

(Expressed in Renminbi)

**24 Material related party transactions (Continued)**

**(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)**

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the six months ended 30 June 2008 and 2009:

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2009</b>                     | <b>2008</b>    |
|  | <b>RMB'000</b>                  | <b>RMB'000</b> |
| Construction costs and equipment costs paid and payable to fellow subsidiaries | <b>128,509</b>                  | 98,676         |
| Interest expenses paid to shareholders   | <b>66,920</b>                   | 54,059         |
| Interest expenses paid to associates   | <b>101,207</b>                  | 72,055         |
| Interest expenses paid to a fellow subsidiary                                  | <b>394</b>                      | 995            |
| Loans obtained from shareholders   | <b>1,007,927</b>                | 800,000        |
| Loans obtained from associates   | <b>1,740,000</b>                | 1,092,750      |
| Loans obtained from a fellow subsidiary  | <b>30,000</b>                   | —              |
| Loans repaid to shareholders   | <b>600,000</b>                  | —              |
| Loans repaid to associates   | <b>740,410</b>                  | 1,481,637      |
| Service fee paid to an associate   | <b>16,922</b>                   | 26,163         |

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

### 24 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:

|   | At 30 June<br>2009<br>RMB'000 | At 31 December<br>2008<br>RMB'000 |
|---|-------------------------------|-----------------------------------|
| Prepaid construction and equipment costs to fellow subsidiaries | 160,340                       | 136,240                           |
| Construction and equipment costs payable to fellow subsidiaries | (18,644)                      | (14,482)                          |
| Loans from shareholders   | (3,019,455)                   | (2,611,528)                       |
| Loans from associates   | (4,388,285)                   | (3,388,695)                       |
| Loan from a fellow subsidiary                                   | (30,000)                      | —                                 |
| Deposits with an associate                                      | 1,004,885                     | 1,196,566                         |
| Amount due to shareholder                                       | <u>94,042</u>                 | <u>964,096</u>                    |

- (i) In January 2008, the Company, Hangzhou Huadian Banshan Power Generation Co., Ltd (“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 China 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 20.457% and 3.125% to 4.75% respectively.



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

*(Expressed in Renminbi)*

**24 Material related party transactions (Continued)**

**(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)**

- (ii) On 13 February 2008, the Company entered into an equity transfer agreement with China Huadian to acquire its equity interest in certain entities from China Huadian to acquire its equity interests in Banshan Company, Hebei Huadian Complex Pumping-Storage Power Co., Ltd., Hebei Huadian Shijiazhuang Thermal Power Co., Ltd. and Sichuan Za-gunao Hydroelectric Development Co., Ltd. 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.
- (iii) In November 2008, the Company, China Huadian and its subsidiary established Huadian Jinshajiang Upstream Hydropower Development Co., Ltd. (“Jinshajiang Company”). The Company contributed RMB6,000,000 for 20% equity interest in Jinshajiang Company.
- (iv) At 30 June 2009, Guangan Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB196,607,000 (31 December 2008: RMB152,957,000).
- (v) At 30 June 2009, Ningxia Zhongning Power Generation Company Limited, the jointly controlled entity of the Group, provided guarantees to bank for loans granted to Ningxia Power Company amounting to RMB35,000,000 (31 December 2008: RMB36,174,000).
- (vi) At 30 June 2009, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB344,726,000 (31 December 2008: RMB351,600,000).

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

(Expressed in Renminbi)

**24 Material related party transactions (Continued)**

**(b) Transactions with key management personnel**

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

|                               | <b>Six months ended 30 June</b> |                |
|-------------------------------|---------------------------------|----------------|
|                               | <b>2009</b>                     | <b>2008</b>    |
|                               | <b>RMB'000</b>                  | <b>RMB'000</b> |
| Salaries and other emoluments | <b>377</b>                      | 369            |
| Retirement benefits           | <b>214</b>                      | 365            |
| Bonuses                       | <b>1,227</b>                    | 1,053          |
|                               | <b>1,818</b>                    | 1,787          |

**(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 30 June 2009, there was no material outstanding contribution to post-employment benefit plans.

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

*(Expressed in Renminbi)*

**24 Material related party transactions (Continued)**

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

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

Apart from transactions mentioned in notes 24(a), (b) and (c), the Group has transactions with other state-controlled entities include but not limited to the following:

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

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

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT****(CONTINUED)***(Expressed in Renminbi)***24 Material related party transactions (Continued)****(d) Transactions with other state-controlled entities in the PRC (Continued)**

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

|  | <b>Six months ended 30 June</b> |                  |
|--|---------------------------------|------------------|
|  | <b>2009</b>                     | <b>2008</b>      |
|  | <b>RMB'000</b>                  | <b>RMB'000</b>   |
| Sale of electricity to the grid  | <b>16,563,803</b>               | 13,427,544       |
| Interest expenses  | <b>1,154,446</b>                | 912,874          |
| Purchase of construction materials and receiving construction work service | <b>4,865,724</b>                | <b>3,805,740</b> |

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

|                                      | <b>At 30 June</b>   | <b>At 31 December</b> |
|--------------------------------------|---------------------|-----------------------|
|                                      | <b>2009</b>         | <b>2008</b>           |
|                                      | <b>RMB'000</b>      | <b>RMB'000</b>        |
| Receivables from sale of electricity | <b>3,165,001</b>    | 1,868,395             |
| Loans payable                        | <b>(39,903,324)</b> | (38,686,055)          |
| Cash at bank                         | <b>765,540</b>      | 534,380               |
| Prepayments                          | <b>6,751,698</b>    | 4,743,941             |
| Trade and other payables             | <b>(6,152,908)</b>  | <b>(5,667,877)</b>    |

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

*(Expressed in Renminbi)*

**25 Comparative figures**

As a result of the application of IAS 1 (revised 2007), Presentation of financial statements, certain comparative figures have been adjusted to conform to current period's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in note 3.

**26 Acquisition of subsidiaries**

**(a) Acquisition of Hebei Huarui Energy Group Corporation Limited  
("Huarui Company")**

On 1 January 2009, the Company completed the acquisition of 100% equity interest in Huarui Company for a total consideration of RMB766,895,000 which comprises RMB763,445,000 being the consideration payable and RMB3,450,000 being all the related expenses directly incurred by the Company in relation to the acquisition.

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

(Expressed in Renminbi)

**26 Acquisition of subsidiaries (Continued)**

**(a) Acquisition of Hebei Huarui Energy Group Corporation Limited (“Huarui Company”) (Continued)**

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

|   | Pre-<br>acquisition<br>carrying<br>amounts<br><i>RMB'000</i> | Fair value<br>adjustments<br><i>RMB'000</i> | Recognised<br>values on<br>acquisitions<br><i>RMB'000</i> |
|---|--|---|---|
| Trade debtors and other<br>receivables                        | 171,159  | —   | 171,159   |
| Inventories   | 26,464   | —   | 26,464  |
| Available-for-sale securities                                 | 29,549   | —   | 29,549  |
| Long term investments   | 1,513,070  | 28,500                                      | 1,541,570   |
| Property, plant and equipment<br>and construction in progress | 412,999  | (15,073)                                    | 397,926   |
| Intangible assets   | 751  | (81)  | 670   |
| Other non-current assets                                      | 200  | —   | 200   |
| Cash and cash equivalents                                     | 195,286  | —   | 195,286   |
| Short term loans  | (436,900)  | —   | (436,900)   |
| Trade creditors and other<br>payables                         | (1,007,539)  | —   | (1,007,539)   |
| Long term loans   | (99,137)   | —   | (99,137)  |
| Deferred tax liabilities                                      | (5,762)  | (1,996)                                     | (7,758)   |
| Net identifiable assets and<br>liabilities                    | <u>800,140</u>   | <u>11,350</u>                               | 811,490   |
| Less: Minority interests                                      |  |   | (98,759)  |
| Add: Goodwill   |  |   | 54,164  |
| Consideration   |  |   | <u>766,895</u>  |

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

*(Expressed in Renminbi)*

**26 Acquisition of subsidiaries (Continued)**

**(a) Acquisition of Hebei Huarui Energy Group Corporation Limited (“Huarui Company”) (Continued)**

The acquisitions contributed turnover amounting to RMB594,333,000 and profit after tax amounting to RMB101,934,000 for the period ended 30 June 2009.

Goodwill has arisen from the acquisition of Huarui Company as the management expects synergy can be achieved through the acquisition.

**(b) Acquisition of Shanxi Dongyi Zhonghou Coal Company Limited (“Dongyi Company”) and Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited (“Erpu Company”)**

On 31 May 2009, the Group completed the acquisition of 70% equity interest in Dongyi Company and 70% equity interest in Erpu Company for a total consideration of RMB761,058,000 which comprises RMB760,200,000 being the consideration payable to the original equity shareholders and RMB858,000 being all the related expenses directly incurred by the Group in relation to the acquisition.

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

(Expressed in Renminbi)

**26 Acquisition of subsidiaries (Continued)**

**(b) Acquisition of Shanxi Dongyi Zhonghou Coal Company Limited (“Dongyi Company”) and Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited (“Erpu Company”) (Continued)**

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

|   | Pre-<br>acquisition<br>carrying<br>amounts<br><i>RMB'000</i> | Fair value<br>adjustments<br><i>RMB'000</i> | Recognised<br>values on<br>acquisitions<br><i>RMB'000</i> |
|---|--|---|---|
| Other receivables   | 1,155  | —   | 1,155   |
| Inventories   | 3,932  | —   | 3,932   |
| Property, plant and equipment<br>and construction in progress | 147,238  | 35,058                                      | 182,296   |
| Intangible assets   | 471,595  | 1,220,745                                   | 1,692,340   |
| Trade creditors and other<br>payables                         | (478,545)  | —   | (478,545)   |
| Deferred tax liabilities                                      | —  | (313,951)                                   | (313,951)   |
| Net identifiable assets and<br>liabilities                    | <u>145,375</u>   | <u>941,852</u>                              | 1,087,227   |
| Less: Minority interests                                      |  |   | <u>(326,169)</u>  |
| Consideration   |  |   | <u>761,058</u>  |

The acquisitions did not contribute any turnover and profit after tax for the period ended 30 June 2009.



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

*(Expressed in Renminbi)*

**27 Accounting judgements and estimates**

In addition to accounting judgements and estimates as disclosed in the 2008 annual financial statements, the Group believes the following critical accounting judgements and estimates in applying the Group's accounting policies that are material to an understanding of the current interim period.

***Coal price***

The Group is principally engaged in the generation of electricity and heat and coal cost is a significant component of the Group's operating expenses. The Group bases the best estimates of costs and carrying value of coal, which coal supply contracts have not been concluded, on comparable reference prices. Any change in estimates upon final conclusion of the coal supply contracts would result in adjustment in costs and carrying value of coal.

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

### **Introduction**

We have reviewed the interim financial report set out on pages 25 to 56 which comprises the consolidated balance sheet of Huadian Power International Corporation Limited as at 30 June 2009 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim financial reporting” issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

### **Scope of review**

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

Interim Financial Report (International)

**Review report to the board of directors of Huadian Power International Corporation Limited (*Continued*)**

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim financial reporting”.

**KPMG**

*Certified Public Accountants*

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

11 August 2009

**CONSOLIDATED BALANCE SHEET (UNAUDITED)**

as at 30 June 2009

*(Expressed in Renminbi'000)*

| <b>ASSETS</b>   | <i>Note</i> | <b>At 30 June<br/>2009</b>                  | At 31 December<br>2008                      |
|---|-------------|---|---|
| <b>Current assets</b>                                 |             |   |   |
| Cash at bank and on hand                              | 7           | <b>1,987,214</b>                            | 1,874,096                                   |
| Bills receivable                                      | 8           | <b>71,096</b>                               | 19,106                                      |
| Trade receivables                                     | 9           | <b>3,192,862</b>                            | 1,950,192                                   |
| Prepayments   | 10          | <b>544,086</b>                              | 169,985                                     |
| Other receivables                                     | 11          | <b>358,148</b>                              | 209,920                                     |
| Inventories   | 12          | <b>1,492,929</b>                            | 1,782,160                                   |
| Other current assets                                  | 13          | <b>486,314</b>                              | 550,658                                     |
|   |             | <hr/>                                       | <hr/>                                       |
| Total current assets                                  |             | <b>8,132,649</b>                            | 6,556,117                                   |
|   |             | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| <b>Non-current assets</b>                             |             |   |   |
| Available-for-sale financial assets                   |             | <b>56,168</b>                               | —   |
| Long-term equity investments                          | 14          | <b>4,229,547</b>                            | 2,662,709                                   |
| Fixed assets  | 15          | <b>61,845,075</b>                           | 60,814,906                                  |
| Construction in progress                              | 16          | <b>8,955,521</b>                            | 8,203,492                                   |
| Construction materials                                | 16          | <b>76,548</b>                               | 6,882                                       |
| Construction and construction<br>material prepayments |             | <b>6,907,020</b>                            | 4,880,180                                   |
| Intangible assets                                     | 17          | <b>2,880,383</b>                            | 1,194,301                                   |
| Goodwill  | 18          | <b>107,686</b>                              | 53,522                                      |
| Deferred tax assets                                   | 19          | <b>192,425</b>                              | 269,418                                     |
|   |             | <hr/>                                       | <hr/>                                       |
| Total non-current assets                              |             | <b>85,250,373</b>                           | 78,085,410                                  |
|   |             | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Total assets  |             | <b>93,383,022</b>                           | 84,641,527                                  |
|   |             | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

The notes on pages 81 to 245 form part of these financial statements.

Interim Financial Report (PRC)

**CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)**

as at 30 June 2009

(Expressed in Renminbi'000)

| <b>LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b> | <i>Note</i> | <b>At 30 June<br/>2009</b> | At 31 December<br>2008 |
|---|-------------|----------------------------|------------------------|
| Current liabilities                             |             |                            |                        |
| Short-term loans                                | 22          | <b>17,303,648</b>          | 12,006,134             |
| Bills payable                                   | 23          | <b>1,827,887</b>           | 1,654,763              |
| Trade payables                                  | 24          | <b>3,792,312</b>           | 3,463,748              |
| Prepayments                                     |             | <b>44,537</b>              | 52,934                 |
| Wages payable                                   | 25          | <b>253,724</b>             | 209,807                |
| Taxes payable                                   | 5(3)        | <b>178,661</b>             | 166,786                |
| Interest payable                                |             | <b>159,672</b>             | 140,600                |
| Dividends payable                               |             | <b>6,022</b>               | 47,257                 |
| Other payables                                  | 26          | <b>2,627,364</b>           | 2,726,557              |
| Short-term debenture payables                   |             | —                          | 2,605,798              |
| Long-term loans due within<br>one year          | 27          | <b>3,649,597</b>           | 4,677,441              |
| Total current liabilities                       |             | <b>29,843,424</b>          | 27,751,825             |
| Non-current liabilities                         |             |                            |                        |
| Long-term loans                                 | 28          | <b>42,106,429</b>          | 40,370,043             |
| Medium-term notes                               | 29          | <b>2,966,489</b>           | —                      |
| Long-term payables                              |             | <b>426,626</b>             | —                      |
| Special payables                                |             | <b>28,590</b>              | 28,590                 |
| Deferred tax liabilities                        | 19          | <b>1,199,741</b>           | 809,884                |
| Other non-current liabilities                   |             | <b>287,462</b>             | 218,292                |
| Total non-current liabilities                   |             | <b>47,015,337</b>          | 41,426,809             |
| Total liabilities                               |             | <b>76,858,761</b>          | 69,178,634             |

The notes on pages 81 to 245 form part of these financial statements.

**CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)**

as at 30 June 2009

*(Expressed in Renminbi'000)*

| <b>LIABILITIES AND<br/>SHAREHOLDERS' EQUITY<br/>(Continued)</b>    | <i>Note</i> | <b>At 30 June<br/>2009</b> | At 31 December<br>2008 |
|--|-------------|----------------------------|------------------------|
| Shareholders' equity   |             |                            |                        |
| Share capital  | 30          | <b>6,021,084</b>           | 6,021,084              |
| Capital reserve  | 31(1)       | <b>1,547,119</b>           | 1,503,793              |
| Surplus reserves   | 31(2)       | <b>1,472,609</b>           | 1,472,609              |
| Retained profits   | 32          | <b>2,566,794</b>           | 2,020,550              |
| Total equity attributable to equity<br>shareholders of the Company |             | <b>11,607,606</b>          | 11,018,036             |
| Minority interests   | 6(3)        | <b>4,916,655</b>           | 4,444,857              |
| Total shareholders' equity   |             | <b>16,524,261</b>          | 15,462,893             |
| Total liabilities and<br>shareholders' equity                      |             | <b>93,383,022</b>          | 84,641,527             |

These financial statements were approved by the Board of Directors on 11 August 2009.

**Yun Gongmin**  
*Legal representative*

**Chen Cunlai**  
*Person in charge  
of the accounting affairs*

**Wang Huiping**  
*Head of accounting  
department*

The notes on pages 81 to 245 form part of these financial statements.

Interim Financial Report (PRC)

**BALANCE SHEET (UNAUDITED)**

for the six months ended 30 June 2009

(Expressed in Renminbi'000)

| <b>ASSETS</b>                                     | <i>Note</i> | <b>At 30 June<br/>2009</b> | At 31 December<br>2008 |
|---|-------------|----------------------------|------------------------|
| <b>Current assets</b>                             |             |                            |                        |
| Cash at bank and on hand                          | 7           | <b>670,584</b>             | 780,288                |
| Bills receivable                                  | 8           | <b>1,000</b>               | 4,749                  |
| Trade receivables                                 | 9           | <b>213,406</b>             | 1,645                  |
| Prepayments                                       | 10          | <b>191,456</b>             | 18,712                 |
| Other receivables                                 | 11          | <b>398,866</b>             | 501,591                |
| Inventories                                       | 12          | <b>323,267</b>             | 397,799                |
| Other current assets                              | 13          | <b>62,413</b>              | 54,871                 |
| <b>Total current assets</b>                       |             | <b>1,860,992</b>           | 1,759,655              |
| <b>Non-current assets</b>                         |             |                            |                        |
| Long-term equity investments                      | 14          | <b>14,527,258</b>          | 12,239,506             |
| Fixed assets                                      | 15          | <b>8,887,520</b>           | 9,254,800              |
| Construction in progress                          | 16          | <b>958,500</b>             | 745,682                |
| Construction and construction material prepayment |             | <b>1,162,508</b>           | 978,992                |
| Intangible assets                                 | 17          | <b>166,405</b>             | 164,384                |
| Goodwill  | 18          | <b>12,111</b>              | 12,111                 |
| <b>Total non-current assets</b>                   |             | <b>25,714,302</b>          | 23,395,475             |
| <b>Total assets</b>                               |             | <b>27,575,294</b>          | 25,155,130             |

The notes on pages 81 to 245 form part of these financial statements.

**BALANCE SHEET (UNAUDITED) (CONTINUED)**

for the six months ended 30 June 2009  
(Expressed in Renminbi'000)

| <b>LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b> | <i>Note</i> | <b>At 30 June<br/>2009</b> | At 31 December<br>2008 |
|---|-------------|----------------------------|------------------------|
| <b>Current liabilities</b>                      |             |                            |                        |
| Short-term loans                                | 22          | <b>7,647,334</b>           | 5,267,684              |
| Bills payable                                   | 23          | <b>1,201,897</b>           | 1,322,974              |
| Trade payables                                  | 24          | <b>146,842</b>             | 163,207                |
| Wages payable                                   | 25          | <b>36,509</b>              | 35,652                 |
| Taxes payable                                   | 5(3)        | <b>22,043</b>              | 26,877                 |
| Interest payable                                |             | <b>49,275</b>              | 15,638                 |
| Other payables                                  | 26          | <b>1,137,262</b>           | 1,552,914              |
| Short-term debenture payables                   |             | —                          | 2,605,798              |
| Long-term loans due within<br>one year          | 27          | <b>480,581</b>             | 813,652                |
| <b>Total current liabilities</b>                |             | <b>10,721,743</b>          | 11,804,396             |
| <b>Non-current liabilities</b>                  |             |                            |                        |
| Long-term loans                                 | 28          | <b>2,240,944</b>           | 1,832,213              |
| Medium-term notes                               | 29          | <b>2,966,489</b>           | —                      |
| Special payables                                |             | <b>6,500</b>               | 6,500                  |
| Deferred tax liabilities                        | 19          | <b>41,007</b>              | 41,007                 |
| <b>Total non-current liabilities</b>            |             | <b>5,254,940</b>           | 1,879,720              |
| <b>Total liabilities</b>                        |             | <b>15,976,683</b>          | 13,684,116             |

The notes on pages 81 to 245 form part of these financial statements.



Interim Financial Report (PRC)

**BALANCE SHEET (UNAUDITED) (CONTINUED)**

for the six months ended 30 June 2009

(Expressed in Renminbi'000)

| <b>LIABILITIES AND<br/>SHAREHOLDERS' EQUITY</b> | <i>Note</i> | <b>At 30 June<br/>2009</b> | <b>At 31 December<br/>2008</b> |
|---|-------------|----------------------------|--------------------------------|
| Shareholders' equity                            |             |                            |                                |
| Share capital                                   | 30          | <b>6,021,084</b>           | 6,021,084                      |
| Capital reserve                                 | 31(1)       | <b>1,501,199</b>           | 1,489,496                      |
| Surplus reserves                                | 31(2)       | <b>1,472,609</b>           | 1,472,609                      |
| Retained profits                                | 32          | <b>2,603,719</b>           | 2,487,825                      |
| Total shareholders' equity                      |             | <b>11,598,611</b>          | 11,471,014                     |
| Total liabilities and shareholders' equity      |             | <b>27,575,294</b>          | 25,155,130                     |

These financial statements were approved by the Board of Directors on 11 August 2009.

**Yun Gongmin**  
*Legal representative*

**Chen Cunlai**  
*Person in charge  
of the accounting affairs*

**Wang Huiping**  
*Head of accounting  
department*

The notes on pages 81 to 245 form part of these financial statements.

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)**

for the six months ended 30 June 2009

*(Expressed in Renminbi'000)*

|  | Note | Six months ended 30 June |              |
|--|------|--------------------------|--------------|
|  |      | 2009                     | 2008         |
| Operating income   | 33   | <b>17,288,305</b>        | 15,557,356   |
| Less: Operating costs  | 34   | <b>(14,328,992)</b>      | (14,601,395) |
| Sales taxes and surcharges   | 35   | <b>(151,283)</b>         | (130,698)    |
| Administrative expenses  |      | <b>(550,270)</b>         | (458,029)    |
| Finance expenses   | 36   | <b>(1,508,849)</b>       | (1,277,252)  |
| Add: Investment income   | 37   | <b>127,427</b>           | 44,216       |
| Including: Investment income from associates and jointly controlled entity |      | <b>115,168</b>           | 23,610       |
| Operating profit/(loss)  |      | <b>876,338</b>           | (865,802)    |
| Add: Non-operating income  | 38   | <b>26,112</b>            | 96,164       |
| Less: Non-operating expenses   | 39   | <b>(3,871)</b>           | (7,154)      |
| Including: Losses on disposal of non-current assets                        |      | —                        | (101)        |
| Total profit/(loss)  |      | <b>898,579</b>           | (776,792)    |
| Less: Income tax   | 40   | <b>(178,025)</b>         | 219,286      |
| Net profit/(loss)  |      | <b>720,554</b>           | (557,506)    |
| Including: Net profit of acquirees before business combination             |      | —                        | 24,624       |

The notes on pages 81 to 245 form part of these financial statements.

Interim Financial Report (PRC)

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
**(CONTINUED)**

for the six months ended 30 June 2009  
(Expressed in Renminbi'000)

|  | Note | Six months ended 30 June |           |
|--|------|--------------------------|-----------|
|  |      | 2009                     | 2008      |
| Net profit/(loss) attributable to equity shareholders of the Company |      | <b>546,244</b>           | (491,955) |
| Minority interests   |      | <b>174,310</b>           | (65,551)  |
| Earnings/(losses) per share (RMB):                                   |      |                          |           |
| Basic earnings/(losses) per share                                    |      | <b>0.09</b>              | (0.08)    |
| Diluted earnings/(losses) per share                                  |      | <b>0.09</b>              | (0.08)    |

The notes on pages 81 to 245 form part of these financial statements.

**CONSOLIDATED INCOME STATEMENT (UNAUDITED)**  
**(CONTINUED)**

for the six months ended 30 June 2009  
*(Expressed in Renminbi'000)*

|  | Note | Six months ended 30 June |           |
|--|------|--------------------------|-----------|
|  |      | 2009                     | 2008      |
| Net profit/(loss)  |      | <b>720,554</b>           | (557,506) |
| Other comprehensive income:  | 41   |                          |           |
| Capital contribution by the state  |      | —                        | 1,531     |
| Changes in fair value of<br>available-for-sale<br>financial assets                         |      | <b>34,386</b>            | (7,137)   |
|  |      | <b>34,386</b>            | (5,606)   |
| Total comprehensive income/(loss)  |      | <b>754,940</b>           | (563,112) |
| Total comprehensive income/(loss)<br>attributable to equity<br>shareholders of the Company |      | <b>579,652</b>           | (497,116) |
| Total comprehensive income/(loss)<br>attributable to minority<br>shareholders              |      | <b>175,288</b>           | (65,996)  |

These financial statements were approved by the Board of Directors on 11 August 2009.

**Yun Gongmin**  
*Legal representative*

**Chen Cunlai**  
*Person in charge  
of the accounting affairs*

**Wang Huiping**  
*Head of accounting  
department*

The notes on pages 81 to 245 form part of these financial statements.

Interim Financial Report (PRC)

**INCOME STATEMENT (UNAUDITED)**

for the six months ended 30 June 2009

(Expressed in Renminbi'000)

|   | Note | Six months ended 30 June |                |
|---|------|--------------------------|----------------|
|   |      | 2009                     | 2008           |
| Operating income  | 33   | <b>3,319,402</b>         | 4,211,557      |
| Less: Operating costs   | 34   | <b>(2,896,847)</b>       | (4,043,486)    |
| Sales taxes and surcharges  | 35   | <b>(31,111)</b>          | (35,537)       |
| Administrative expenses   |      | <b>(163,913)</b>         | (160,822)      |
| Finance expenses  | 36   | <b>(273,231)</b>         | (183,627)      |
| Add: Investment income  | 37   | <b>161,737</b>           | 110,891        |
| Including: Investment income<br>from associates<br>and jointly<br>controlled entity |      | <b>33,617</b>            | 20,513         |
| Operating profit/(loss)   |      | <b>116,037</b>           | (101,024)      |
| Add: Non-operating income   | 38   | <b>23</b>                | 47,284         |
| Less: Non-operating expenses  | 39   | <b>(166)</b>             | (914)          |
| Total profit/(loss)   |      | <b>115,894</b>           | (54,654)       |
| Less: Income tax  | 40   | <b>—</b>                 | 47,704         |
| Net profit/(loss)   |      | <b>115,894</b>           | <b>(6,950)</b> |

The notes on pages 81 to 245 form part of these financial statements.

**INCOME STATEMENT (UNAUDITED) (CONTINUED)**

for the six months ended 30 June 2009  
(Expressed in Renminbi'000)

|  | Note | Six months ended 30 June |                 |
|--|------|--------------------------|-----------------|
|  |      | 2009                     | 2008            |
| Net profit/(loss)  |      | <u>115,894</u>           | (6,950)         |
| Other comprehensive income:  | 41   |                          |                 |
| Changes in fair value of<br>available-for-sale<br>financial assets |      | <u>11,703</u>            | (5,905)         |
|  |      | <u>11,703</u>            | (5,905)         |
| Total comprehensive income/(loss)                                  |      | <u>127,597</u>           | <u>(12,855)</u> |

These financial statements were approved by the Board of Directors on 11 August 2009.

**Yun Gongmin**  
*Legal representative*

**Chen Cunlai**  
*Person in charge  
of the accounting affairs*

**Wang Huiping**  
*Head of accounting  
department*

The notes on pages 81 to 245 form part of these financial statements.

Interim Financial Report (PRC)

## CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30 June 2009

(Expressed in Renminbi'000)

|  | Note  | Six months ended 30 June |              |
|--|-------|--------------------------|--------------|
|  |       | 2009                     | 2008         |
| Cash flow from operating activities:                 |       |                          |              |
| Cash received from sales of electricity and heat     |       | 18,810,512               | 17,715,876   |
| Refund of taxes                                      |       | 5,085                    | 1,168        |
| Other cash received relating to operating activities |       | 145,060                  | 88,729       |
| Sub-total of cash inflow from operating activities   |       | 18,960,657               | 17,805,773   |
| Cash paid for goods and services                     |       | (12,483,571)             | (13,358,755) |
| Cash paid to and for employees                       |       | (793,213)                | (770,292)    |
| Cash paid for all types of taxes                     |       | (1,680,163)              | (1,775,032)  |
| Other cash paid relating to operating activities     |       | (286,194)                | (342,397)    |
| Sub-total of cash outflow from operating activities  |       | (15,243,141)             | (16,246,476) |
| Net cash inflow from operating activities            | 42(1) | 3,717,516                | 1,559,297    |

The notes on pages 81 to 245 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
**(CONTINUED)**

for the six months ended 30 June 2009  
*(Expressed in Renminbi'000)*

|   | Note  | Six months ended 30 June |             |
|---|-------|--------------------------|-------------|
|   |       | 2009                     | 2008        |
| Cash flow from investing activities:  |       |                          |             |
| Cash received from return on investments  |       | 81,206                   | 30,556      |
| Cash received from disposal of fixed assets   |       | 432                      | 489         |
| Other cash received relating to investing activities                                    |       | 11,055                   | 20,761      |
| Sub-total of cash inflow from investing activities                                      |       | 92,693                   | 51,806      |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets |       |                          |             |
| Cash paid for acquisition of investments  |       | (929,610)                | (59,605)    |
| Cash paid for acquisition of subsidiaries   | 42(3) | (1,542,927)              | (1,044,455) |
| Other cash paid relating to investing activities  |       | (2,089)                  | (5,316)     |
| Sub-total of cash outflow from investing activities                                     |       | (7,858,558)              | (7,495,855) |
| Net cash outflow from investing activities  |       | (7,765,865)              | (7,444,049) |

The notes on pages 81 to 245 form part of these financial statements.



Interim Financial Report (PRC)

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
**(CONTINUED)**

for the six months ended 30 June 2009  
(Expressed in Renminbi'000)

|   | Note | Six months ended 30 June |              |
|---|------|--------------------------|--------------|
|   |      | 2009                     | 2008         |
| Cash flow from financing activities:  |      |                          |              |
| Proceeds from investments   |      | 13,760                   | 77,632       |
| Including: Proceeds from investments from minority shareholders of subsidiaries |      | 13,760                   | 77,632       |
| Proceeds from borrowings  |      | 24,740,378               | 26,539,824   |
| Decrease in guarantee deposits of bank acceptance bills                         |      | 5,191                    | 11,736       |
| Other cash received relating to financing activities                            |      | 512,975                  | 313,182      |
| Sub-total of cash inflow from financing activities                              |      | 25,272,304               | 26,942,374   |
| Repayment of borrowings   |      | (18,735,083)             | (17,222,827) |
| Cash paid for dividends, profits or interest                                    |      | (1,900,661)              | (1,519,467)  |
| Including: Dividends and profits paid to minority shareholders by subsidiaries  |      | (5,732)                  | (47,661)     |
| Increase in guarantee deposits of bank acceptance bills                         |      | (2,697)                  | (20,000)     |
| Other cash paid relating to financing activities                                |      | (469,902)                | (536,169)    |
| Sub-total of cash outflow from financing activities                             |      | (21,108,343)             | (19,298,463) |
| Net cash inflow from financing activities                                       |      | 4,163,961                | 7,643,911    |

The notes on pages 81 to 245 form part of these financial statements.

**CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)**  
**(CONTINUED)**

for the six months ended 30 June 2009  
*(Expressed in Renminbi'000)*

|  | Note  | Six months ended 30 June |                         |
|--|-------|--------------------------|-------------------------|
|  |       | 2009                     | 2008                    |
| Net increase in cash and cash equivalents                    |       | 115,612                  | 1,759,159               |
| Add: Cash and cash equivalent at the beginning of the period |       | <u>1,869,305</u>         | <u>1,517,340</u>        |
| Cash and cash equivalent at the end of the period            | 42(2) | <u><u>1,984,917</u></u>  | <u><u>3,276,499</u></u> |

These financial statements were approved by the Board of Directors on 11 August 2009.

**Yun Gongmin**  
*Legal representative*

**Chen Cunlai**  
*Person in charge  
of the accounting affairs*

**Wang Huiping**  
*Head of accounting  
department*

The notes on pages 81 to 245 form part of these financial statements.

Interim Financial Report (PRC)

## CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30 June 2009

(Expressed in Renminbi'000)

|  | Note  | Six months ended 30 June |             |
|--|-------|--------------------------|-------------|
|  |       | 2009                     | 2008        |
| Cash flow from operating activities:                 |       |                          |             |
| Cash received from sales of electricity and heat     |       | 3,579,331                | 4,811,844   |
| Other cash received relating to operating activities |       | 66,372                   | 52,035      |
| Sub-total of cash inflow from operating activities   |       | 3,645,703                | 4,863,879   |
| Cash paid for goods and services                     |       | (2,677,449)              | (4,412,123) |
| Cash paid to and for employees                       |       | (229,701)                | (242,057)   |
| Cash paid for all types of taxes                     |       | (325,753)                | (553,691)   |
| Other cash paid relating to operating activities     |       | (230,388)                | (148,336)   |
| Sub-total of cash outflow from operating activities  |       | (3,463,291)              | (5,356,207) |
| Net cash inflow/(outflow) from operating activities  | 42(1) | 182,412                  | (492,328)   |

The notes on pages 81 to 245 form part of these financial statements.

**CASH FLOW STATEMENT (UNAUDITED) (CONTINUED)**

for the six months ended 30 June 2009  
(Expressed in Renminbi'000)

|   | Note | Six months ended 30 June |             |
|---|------|--------------------------|-------------|
|   |      | 2009                     | 2008        |
| Cash flow from investing activities:  |      |                          |             |
| Cash received from collection of investments  |      | 150,000                  | —           |
| Cash received from return on investments  |      | 55,436                   | 72,376      |
| Other cash received relating to investing activities                                    |      | 2,583                    | 4,905       |
| Sub-total of cash inflow from investing activities                                      |      | 208,019                  | 77,281      |
| Cash paid for acquisition of fixed assets, intangible assets and other long-term assets |      |                          |             |
| Cash paid for acquisitions of investments   |      | (432,145)                | (908,678)   |
| Cash paid for acquisitions of subsidiaries  |      | (1,372,085)              | (329,105)   |
| Other cash paid relating to investing activities  |      | (1,206,073)              | (1,044,455) |
| Sub-total of cash outflow from investing activities                                     |      | (3,011,591)              | (2,291,436) |
| Net cash outflow from investing activities  |      | (2,803,572)              | (2,214,155) |

The notes on pages 81 to 245 form part of these financial statements.

Interim Financial Report (PRC)

**CASH FLOW STATEMENT (UNAUDITED) (CONTINUED)**

for the six months ended 30 June 2009

(Expressed in Renminbi'000)

|  | Note | Six months ended 30 June |              |
|--|------|--------------------------|--------------|
|  |      | 2009                     | 2008         |
| Cash flow from financing activities:                 |      |                          |              |
| Proceeds from borrowings                             |      | <b>10,988,964</b>        | 13,002,824   |
| Other cash received relating to financing activities |      | <b>232</b>               | 103,170      |
| Sub-total of cash inflows                            |      | <b>10,989,196</b>        | 13,105,994   |
| Repayment of borrowings                              |      | <b>(8,034,147)</b>       | (10,100,631) |
| Cash paid for dividends, profits or interest         |      | <b>(383,135)</b>         | (212,219)    |
| Other cash paid relating to financing activities     |      | <b>(60,458)</b>          | (42,942)     |
| Sub-total of cash outflows                           |      | <b>(8,477,740)</b>       | (10,355,792) |
| Net cash inflow from financing activities            |      | <b>2,511,456</b>         | 2,750,202    |

The notes on pages 81 to 245 form part of these financial statements.

**CASH FLOW STATEMENT (UNAUDITED) (CONTINUED)**

for the six months ended 30 June 2009

*(Expressed in Renminbi'000)*

|  | Note  | Six months ended 30 June |                  |
|--|-------|--------------------------|------------------|
|  |       | 2009                     | 2008             |
| Net (decrease)/increase in cash and cash equivalents         |       | <b>(109,704)</b>         | 43,719           |
| Add: Cash and cash equivalent at the beginning of the period |       | <b>780,288</b>           | 1,077,873        |
| Cash and cash equivalent at the end of the period            | 42(2) | <b>670,584</b>           | <b>1,121,592</b> |

These financial statements were approved by the Board of Directors on 11 August 2009.

**Yun Gongmin**  
*Legal representative*

**Chen Cunlai**  
*Person in charge  
of the accounting affairs*

**Wang Huiping**  
*Head of accounting  
department*

The notes on pages 81 to 245 form part of these financial statements.

Interim Financial Report (PRC)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
(UNAUDITED)**

for the six months ended 30 June 2009

(Expressed in Renminbi'000)

|   | Attributable to shareholders'<br>equity of the Company |                    |                    |                     |                   | Minority<br>interest | Total<br>equity   |
|---|--|--------------------|--------------------|---------------------|-------------------|----------------------|-------------------|
|   | Share<br>capital                                       | Capital<br>reserve | Surplus<br>reserve | Retained<br>profits | Sub-total         |                      |                   |
| Balance at 31 December 2008/<br>1 January 2009                              | 6,021,084  | 1,503,793          | 1,472,609          | 2,020,550           | 11,018,036        | 4,444,857            | 15,462,893        |
| Changes for the period  |  |                    |                    |                     |                   |                      |                   |
| Acquisition of minority interests   | —  | —                  | —                  | —                   | —                 | (213,247)            | (213,247)         |
| Capital injection from minority<br>shareholders to subsidiaries             | —  | —                  | —                  | —                   | —                 | 115,920              | 115,920           |
| Deemed loss on disposal/<br>acquisition of minority interests               | —  | (8,248)            | —                  | —                   | (8,248)           | 8,248                | —                 |
| Acquisition of subsidiaries   | —  | —                  | —                  | —                   | —                 | 424,928              | 424,928           |
| Profit appropriation  | —  | —                  | —                  | —                   | —                 | (58,245)             | (58,245)          |
| Fair value adjustment of<br>interest free loans granted by<br>China Huadian |  | 18,166             | —                  | —                   | 18,166            | 18,906               | 37,072            |
| Total comprehensive income  | —  | 33,408             | —                  | 546,244             | 579,652           | 175,288              | 754,940           |
| Balance at 30 June 2009   | <u>6,021,084</u>                                       | <u>1,547,119</u>   | <u>1,472,609</u>   | <u>2,566,794</u>    | <u>11,607,606</u> | <u>4,916,655</u>     | <u>16,524,261</u> |

The notes on pages 81 to 245 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**(UNAUDITED) (CONTINUED)**

for the six months ended 30 June 2009  
*(Expressed in Renminbi'000)*

|  | Attributable to shareholders'<br>equity of the Company |                    |                    |                     |                   | Minority<br>interest | Total<br>equity   |
|--|--|--------------------|--------------------|---------------------|-------------------|----------------------|-------------------|
|  | Share<br>capital                                       | Capital<br>reserve | Surplus<br>reserve | Retained<br>profits | Sub-total         |                      |                   |
| 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<br>combination involving entities<br>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 for the period   |  |                    |                    |                     |                   |                      |                   |
| Capital injection from minority<br>shareholders to subsidiaries                  | —  | —                  | —                  | —                   | —                 | 83,132               | 83,132            |
| Profit appropriation   | —  | —                  | —                  | (421,103)           | (421,103)         | (73,162)             | (494,265)         |
| Total comprehensive income   | —  | (5,161)            | —                  | (491,955)           | (497,116)         | (65,996)             | (563,112)         |
| Balance at 30 June 2008  | <u>6,021,084</u>                                       | <u>3,194,129</u>   | <u>1,472,609</u>   | <u>4,086,691</u>    | <u>14,774,513</u> | <u>4,358,002</u>     | <u>19,132,515</u> |

These financial statements were approved by the Board of Directors on 11 August 2009.

**Yun Gongmin**  
*Legal representative*

**Chen Cunlai**  
*Person in charge  
of the accounting affairs*

**Wang Huiping**  
*Head of accounting  
department*

The notes on pages 81 to 245 form part of these financial statements.



Interim Financial Report (PRC)

**STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**

for the six months ended 30 June 2009

(Expressed in Renminbi'000)

|  | Share capital    | Capital reserve  | Surplus reserve  | Retained profits | Total equity      |
|--|------------------|------------------|------------------|------------------|-------------------|
| Balance at 31 December 2008/<br>1 January 2009 | 6,021,084        | 1,489,496        | 1,472,609        | 2,487,825        | 11,471,014        |
| Changes for the period                         |                  |                  |                  |                  |                   |
| Total comprehensive income                     | —                | 11,703           | —                | 115,894          | 127,597           |
| Balance at 30 June 2009                        | <u>6,021,084</u> | <u>1,501,199</u> | <u>1,472,609</u> | <u>2,603,719</u> | <u>11,598,611</u> |
| Balance at 31 December 2007/<br>1 January 2008 | 6,021,084        | 1,948,002        | 1,472,609        | 3,393,016        | 12,834,711        |
| Changes for the period                         |                  |                  |                  |                  |                   |
| Profit appropriation                           | —                | —                | —                | (373,307)        | (373,307)         |
| Total comprehensive income                     | —                | (5,905)          | —                | (6,950)          | (12,855)          |
| Balance at 30 June 2008                        | <u>6,021,084</u> | <u>1,942,097</u> | <u>1,472,609</u> | <u>3,012,759</u> | <u>12,448,549</u> |

These financial statements were approved by the Board of Directors on 11 August 2009.

**Yun Gongmin**  
*Legal representative*

**Chen Cunlai**  
*Person in charge  
of the accounting affairs*

**Wang Huiping**  
*Head of accounting  
department*

The notes on pages 81 to 245 form part of these financial statements.

## NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED)

*(Expressed in Renminbi'000)*

### 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 No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC. Its parent and ultimate holding company is China Huadian Corporation (“China Huadian”).

The Company is a joint stock company limited by shares pursuant to the approval document (Ti Gai Sheng [1994] No. 76 - Reply on the approval for the establishment of Shandong International Power Development Company Limited) issued by the former State Commission for Economic Restructuring of the PRC. The Company had a registered share capital of 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 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).

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

**1 Company status (Continued)**

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB1 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. The 3,148,103,094 original domestic shares held by the original domestic shareholders are circulated on 6 August 2009.

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, heat supply and other related activities. Electricity generated is transmitted to local power grid companies in which the power plants are located.

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

**2 Basis of preparation of financial statements**

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

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

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

**(2) Accounting year**

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

**(3) Measurement attributes**

The measurement basis used in the preparation of the 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.

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

**3 The principal accounting policies**

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

**(a) Business combination involving entities under common control**

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

**(b) Business combination involving entities not under common control**

A business combination involving entities or businesses not under common control is a business combination in which all of the combining entities or businesses are not ultimately controlled by the same party or parties both before and after the business combination. The cost of a business combination paid by the 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.

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

**3 The principal accounting policies (Continued)**

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

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

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.

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.

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

**3 The principal accounting policies (Continued)**

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

**(c) Consolidated financial statements (Continued)**

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 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.

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

**3 The principal accounting policies (Continued)**

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

(c) Consolidated financial statements (Continued)

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

**(2) Translation of foreign currencies**

When the Group receives capital in foreign currencies from investors, the capital is translated to Renminbi at the spot exchange rate on the date of the receipt. Other foreign currency transactions are, on initial recognition, translated to Renminbi at the spot exchange rates on the dates of the transactions.

A spot exchange rate is an exchange rate quoted by the People's Bank of China, the State Administration of Foreign 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.



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

**3 The principal accounting policies (Continued)**

**(3) Cash and cash equivalents**

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

**(4) Inventories**

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

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.

**(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:

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

**3 The principal accounting policies (Continued)**

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

(a) Investment in subsidiaries (Continued)

- The initial investment cost of a long-term equity investment obtained through a business combination involving entities under common control is the Company'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.

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

**3 The principal accounting policies (Continued)**

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

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

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.

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.

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

**3 The principal accounting policies (Continued)**

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

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

- After 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 an obligation to assume additional losses. 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.

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

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

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

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.

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:

|                      | <b>Estimated<br/>useful life</b> | <b>Estimated<br/>residual value</b> | <b>Depreciation<br/>rate</b> |
|----------------------|----------------------------------|-------------------------------------|------------------------------|
| 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 by the Group, 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.

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

**3 The principal accounting policies (Continued)**

**(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. Land use rights are amortised using the straight-line method over 10 to 70 years. Mining rights are amortised using units-of-production method according to the proven and probable coal reserves.

An intangible asset is regarded as having an indefinite useful life and is not amortised 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, 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.

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

**3 The principal accounting policies (Continued)**

**(10) Financial instruments**

The Group's financial instruments comprise cash at bank and on hand, equity investments other than long-term equity investments (see note 3(5)), receivables, payables, loans and borrowings, 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.



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

**3 The principal accounting policies (Continued)**

**(10) Financial instruments (Continued)**

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

— Receivables

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

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

— 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.

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

**3 The principal accounting policies (Continued)**

**(10) Financial instruments (Continued)**

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

— Available-for-sale financial assets (Continued)

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)).

— 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 or loss.

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

**3 The principal accounting policies (Continued)**

**(10) Financial instruments (Continued)**

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

— Other financial liabilities (Continued)

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

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

- (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.

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

**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.

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

**3 The principal accounting policies (Continued)**

**(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.

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.

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

**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)

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.

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

**3 The principal accounting policies (Continued)**

**(11) Impairment of financial assets and non-financial long-term assets (Continued)**

(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.

(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 jointly controlled entities or associates.

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.

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

**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 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 from 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.

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.



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

**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)

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.

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

**3 The principal accounting policies (Continued)**

**(12) Employee benefits**

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

(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.

(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.

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

**3 The principal accounting policies (Continued)**

**(12) Employee benefits (Continued)**

(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.

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

**3 The principal accounting policies (Continued)**

**(13) Income tax (Continued)**

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.

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.

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

**3 The principal accounting policies (Continued)**

**(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.

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

**3 The principal accounting policies (Continued)**

**(15) Revenue recognition (Continued)**

(c) Interest income

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

**(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.

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

**3 The principal accounting policies (Continued)**

**(17) Borrowing costs**

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

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

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

**3 The principal accounting policies (Continued)**

**(17) Borrowing costs (Continued)**

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 financial 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 or sale. 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.



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

**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 regard 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 and the Group;
- (f) joint ventures of the Group;
- (g) associates of the Group;
- (h) principal individual investors and close family members of such individuals of the Group;
- (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

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

**3 The principal accounting policies (Continued)**

**(19) Related parties (Continued)**

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

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

- (m) enterprises, 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.

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

**3 The principal accounting policies (Continued)**

**(20) Segment reporting**

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to and assessing the performance of the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

**(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.

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

**3 The principal accounting policies (Continued)**

**(21) Significant accounting estimates and judgments (Continued)**

Note 43 contains 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 years is reversed.

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

**3 The principal accounting policies (Continued)**

**(21) Significant accounting estimates and judgments (Continued)**

(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 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 asset group cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's or asset group'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 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.

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

**3 The principal accounting policies (Continued)**

**(21) Significant accounting estimates and judgments (Continued)**

(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.

(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.

(f) Coal price

The Group is principally engaged in the generation and sale of electricity and heat and coal cost is a significant component of the Group's operating expenses. The Group bases the best estimates of costs and carrying value of coal, which coal supply contracts have not been concluded, on comparable reference prices.

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

**4 Explanation of changes in accounting policies**

**(1) Changes in accounting policies**

Pursuant to the requirements of “China Accounting Standards Bulletin No. 3”(“CAS Bulletin 3”) issued by the Ministry of Finance on 11 June 2009, the following significant accounting policies are changed during the reporting period:

- Cash dividends or profits distributions declared by investee

For long-term equity investments measured using the cost method, investor recognises its share of cash dividends or profits distributions declared by investee before 1 January 2009 as investment income. However, the investor’s investment income is recognised only to the extent of the investor’s share of investee’s accumulated net profit after the investment; after 1 January 2009, the investor recognises investment income to the extent of the investor’s share of investee’s cash dividends or profits distributions, no matter whether the net profit is realised before or after the investment.

Pursuant to CAS Bulletin 3, no retrospective adjustment has been made by the Group for the above change of accounting policy on cash dividends or profits distributions declared by investee.

- Presentation of “Other comprehensive income” and “Total comprehensive income”

Before 1 January 2009, the Group neither presented “Other comprehensive income” and “Total comprehensive income” under “Earnings per share”, nor disclosed in the notes about items of other comprehensive income and relating tax effects, and information of the amount previously recognised as other comprehensive income but transferred to profit or loss in the current period.

Pursuant to CAS Bulletin 3, the Group discloses the above information and makes adjustment on the relating items of the comparative financial statements.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****4 Explanation of changes in accounting policies (Continued)****(1) Changes in accounting policies (Continued)**

## — Segment reporting

Before 1 January 2009, the Group determines geographical segment and business segment and discloses relating information; after 1 January 2009, according to management requirement of internal configuration, the Group determines operating segment based on internal reporting system, the Group determines reporting segment based on operating segment, and discloses related segment information.

Pursuant to CAS Bulletin 3, the Group does not need to disclose related information of the comparative financial statement.

**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.**

## 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.*



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

**5 Taxation (Continued)**

**(2) Income tax**

The income tax rate applicable to the Company and each of its subsidiaries for the period is 25% (2008: 25%), except for Sichuan Guangan Power Generation Company Limited (“Guangan Company”), Huadian Ningxia Lingwu Power Generation Company Limited (“Lingwu Company”), Huadian Laizhou Wind Power Company Limited (“Laizhou Wind Power Company”), Sichuan Huadian Za-gunao Hydroelectric Development Company Limited (“Za-gunao Company”) and Huadian Ningxia Ningdong Wind Power Company Limited (“Ningdong Wind Power Company”), for which preferential tax rates apply.

The preferential tax treatments of the Group’s subsidiaries are set out below:

| <b>Company name</b> | <b>Preferential tax rate</b> | <b>Reasons for preferential treatment</b>   |
|---------------------|------------------------------|---|
| Guangan Company     | 15%                          | Enterprise income tax preferential policies on the development of the Western Region<br><i>(note (i))</i> |

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

The preferential tax treatments of the Group's subsidiaries are set out below: *(Continued)*

| <b>Company name</b>         | <b>Preferential tax rate</b> | <b>Reasons for preferential treatment</b>  |
|-----------------------------|------------------------------|--|
| Za-gunao Company            | 15%                          | Enterprise income tax preferential policies on the development of the Western Region <i>(note (i))</i> |
| Lingwu Company              | —                            | Attracting investment policies of Ningxia Hui Autonomous Regions <i>(note (ii))</i>                    |
| Ningdong Wind Power Company | —                            | Major public infrastructure project supported by the State <i>(note (iii))</i>                         |
| Ningdong Wind Power Company | —                            | Major public infrastructure project supported by the State <i>(note (iii))</i>                         |

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

**5 Taxation (Continued)**

**(2) Income tax (Continued)**

Notes:

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

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****5 Taxation (Continued)****(2) Income tax (Continued)***Notes: (Continued)*

- (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 and the Laizhou State Administration of Taxation of Shandong Province, Ningdong Wing Power 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 to 2012; Laizhou Wind Power Company are exempted from EIT for the years 2008 to 2010, and entitled to a 50% reduction in EIT based on the prevailing applicable tax rate for the years 2011 to 2013.

**(3) Tax payable**

|   | The Group                  |                                | The Company                |                                |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
|   | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| VAT payable   | 97,104                     | 68,275                         | 2,246                      | 14,223                         |
| City maintenance and<br>construction<br>tax payable | 19,799                     | 16,177                         | 3,374                      | 928                            |
| EIT payable   | 9,606                      | 10,216                         | —                          | —                              |
| Others  | 52,152                     | 72,118                         | 16,423                     | 11,726                         |
| <b>Total</b>  | <b>178,661</b>             | <b>166,786</b>                 | <b>22,043</b>              | <b>26,877</b>                  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements****(1) At 30 June 2009, the following subsidiaries are included in the Company's consolidated financial statements:****(a) Subsidiaries acquired through business combination involving entities under common control:**

| Name of investee enterprise   | Organisation Code | Place of registration | Principal operation                         | Registered capital | Effective controlling party exercising common control | Closing effective investment cost | Percentage of shares                        | Percentage of voting power                  |
|---|-------------------|-----------------------|---|--------------------|---|-----------------------------------|---|---|
|   |                   |                       |   |                    |   |                                   | directly and indirectly held by the Company | 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   | 818,017                           | 97%   | 97%   |
| Anhui Huadian Wuhu Power Company Limited ("Wuhu Company")                     | 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 | 480,782            | China Huadian   | 386,724                           | 64%   | 64%   |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(1) At 30 June 2009, 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)**

| Name of investee enterprise   | Organisation Code | Place of registration | Principal operation                         | Registered capital | Effective controlling party exercising common control | Closing investment cost | Percentage of shares                        | Percentage of voting power                  |
|---|-------------------|-----------------------|---|--------------------|---|-------------------------|---|---|
|   |                   |                       |   |                    |   |                         | directly and indirectly held by the Company | directly and indirectly held by the Company |
|   |                   |                       |   | RMB'000            |   | RMB'000                 |   |   |
| 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%  |
| Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")           | 713187845         | 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 (j)) | 791380651         | Shijiazhuang, the PRC | Generation and sale of electricity and heat | 375,000            | China Huadian   | —                       | 87.87%                                      | 100%  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(1) At 30 June 2009, 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)**

| Name of investee enterprise  | Organisation Code | Place of registration | Principal operation  | Registered capital | Effective controlling party exercising common control | Closing effective investment cost | Percentage of shares                        | Percentage of voting power                  |
|--|-------------------|-----------------------|--|--------------------|---|-----------------------------------|---|---|
|  |                   |                       |  |                    |   |                                   | directly and indirectly held by the Company | directly and indirectly held by the Company |
|  |                   |                       |  | RMB'000            |   | RMB'000                           |   |   |
| 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   | —                                 | 81%   | 90%   |

**Notes:**

- (i) Yuhua Thermal Power Company is the subsidiary controlled by Shijiazhuang Thermal Power company, a subsidiary of the Company.
- (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. Accordingly to the article 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 and therefore can control the financial and operating policy decisions of Luhua Thermal Power Company, and obtain benefits from its operating activities. Therefore, the management of the Company determined that the Company is able to control Luhua Thermal Power Company and included it into the consolidated financial statements of the Company.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(1) At 30 June 2009, the following subsidiaries are included in the Company's consolidated financial statements: (Continued)****(b) Subsidiaries acquired through business combination involving entities not under common control:**

| Name of investee enterprise   | Organisation Code | Place of registration | Principal operation                         | Registered capital<br>RMB'000 | Closing effective investment cost<br>RMB'000 | Percentage of              | Percentage of  |
|---|-------------------|-----------------------|---|-------------------------------|--|----------------------------|--|
|   |                   |                       |   |                               |  | shares held by the Company | voting power directly and indirectly held by the Company |
| Huadian Qingdao Power Company Limited<br>(“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<br>(“Weifang Company”)<br>(note (iii)) | 165423394         | Weifang, the PRC      | Generation and sale of electricity          | 1,250,000                     | 823,483                                      | 45%                        | 45%  |
| Huadian Zibo Power Company Limited<br>(“Zibo Thermal Power Company”)                    | 734704736         | Zibo, the PRC         | Generation and sale of electricity and heat | 374,800                       | 374,800                                      | 100%                       | 100%   |
| Huadian Zhangjiu Power Company Limited<br>(“Zhangjiu Company”)                          | 705929741         | Zhangjiu, the PRC     | Generation and sale of electricity and heat | 750,000                       | 617,077                                      | 87.5%                      | 87.5%  |



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)**

(1) **At 30 June 2009, 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)

| Name of investee enterprise  | Organisation Code | Place of registration | Principal operation                         | Registered capital<br>RMB'000 | Closing effective investment cost<br>RMB'000 | Percentage of                                      | Percentage of  |
|--|-------------------|-----------------------|---|-------------------------------|--|--|--|
|  |                   |                       |   |                               |  | shares directly and indirectly held by the Company | voting power directly and indirectly held by the Company |
| 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                                      | 93.26%   | 93.26%   |
| Za-gunao Company (note (iii))  | 754728233         | Sichuan, the PRC      | Generation and sale of electricity          | 50,000                        | 449,529                                      | 49%  | 49%  |
| Hebei Huarui Energy Group Corporation Limited ("Huarui Company")                       | 75243920-0        | Shijiazhuang, the PRC | Generation and sale of electricity and heat | 538,000                       | 966,895                                      | 100%   | 100%   |
| Hebei Huafeng Investment Company Limited ("Huafeng Investment Company")<br>(Note (iv)) | 75026749-2        | Shijiazhuang, the PRC | Energy projects investment                  | 977,300                       | —  | 96.68%   | 96.68%   |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(1) At 30 June 2009, 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)**

| Name of investee enterprise   | Organisation Code | Place of registration | Principal operation                         | Registered capital<br>RMB'000 | Closing effective investment cost<br>RMB'000 | Percentage of                                      | Percentage of  |
|---|-------------------|-----------------------|---|-------------------------------|--|--|--|
|   |                   |                       |   |                               |  | shares directly and indirectly held by the Company | voting power directly and indirectly held by the Company |
| Hebei Fengyuan Industrial Company Limited ("Fengyuan Company")<br>(Note (iv))                 | 73024734-7        | Shijiazhuang, the PRC | Sale of coal and chemical products          | 102,000                       | —  | 100%   | 100%   |
| Jingxing Huarui Power Company Limited ("Jingxing Company")<br>(Note (iv))                     | 10462179-2        | Jingxing, the PRC     | Generation and sale of electricity          | 6,000                         | —  | 55%  | 55%  |
| Hebei Huanui Matou Power Company Limited ("Matou Thermal Power Company")<br>(Note (iv))       | 75241840-X        | Handan, the PRC       | Generation and sale of electricity and heat | 10,080                        | —  | 51%  | 51%  |
| Shijiazhuang Guanghua Power Company Limited ("Guanghua Thermal Power Company")<br>(Note (iv)) | 10439367-0        | Shijiazhuang, the PRC | Generation and sale of electricity and heat | 100,000                       | —  | 50.3%  | 50.3%  |
| Handan Wanxing Power Company Limited ("Wanxing Thermal Power Company")<br>(Note (iv))         | 10552229-4        | Handan, the PRC       | Generation and sale of electricity and heat | 10,000                        | —  | 57.34%   | 57.34%   |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)**

(1) **At 30 June 2009, 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)

| Name of investee enterprise   | Organisation Code | Place of registration | Principal operation   | Registered capital | Closing effective investment cost | Percentage of                               | Percentage of                               |
|---|-------------------|-----------------------|---|--------------------|-----------------------------------|---|---|
|   |                   |                       |   |                    |                                   | directly and indirectly held by the Company | directly and indirectly held by the Company |
|   |                   |                       |   | RMB'000            | RMB'000                           |   |   |
| Shanxi Dongyi Zhonghou Coal Company Limited<br>(“Dongyi Coal Company”)<br>(Note (vi))         | X0243004-7        | Shuozhou, the PRC     | Resources consolidation, improvement and expansion services | 12,180             | —                                 | 70%   | 70%   |
| Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited<br>(“Erpu Coal Company”)<br>(Note (vi)) | 11147348-4        | Shuozhou, the PRC     | Resources consolidation, improvement and expansion services | 10,000             | —                                 | 70%   | 70%   |

**Notes:**

- (iii) *Although the Company's direct and indirect shareholding percentage and voting rights in Weifang Company and Za-gunao 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 control the financial and operating policy decisions of these two companies, and obtain benefits from their operating activities. As a result, the management of the Company determined that the Company is able to control Weifang Company and Za-gunao Company and included them into the consolidated financial statements of the Company.*
- (iv) *The six abovementioned companies are the subsidiaries controlled by Huarui Company, a subsidiary of the Company.*
- (v) *Dongyi Coal Company and Erpu Coal Company are the subsidiaries controlled by Shanxi Maohua Energy Investment Company Limited (“Maohua Company”), a subsidiary of the Company.*

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(1) At 30 June 2009, 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:

| Name of investee enterprise   | Organisation Code | Place of registration                           | Principal operation                                     | Registered capital<br>RMB'000 | Closing effective investment cost<br>RMB'000 | Percentage of                                      | Percentage of  |
|---|-------------------|---|---|-------------------------------|--|--|--|
|   |                   |   |   |                               |  | shares directly and indirectly held by the Company | voting power directly and indirectly held by the Company |
| Lingwu Company  | 774928697         | Lingwu, the PRC                                 | Generation and sale of electricity                      | 1,000,000                     | 562,496                                      | 65%  | 65%  |
| Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")             | 78911707X         | Tibetan Autonomous Prefecture of Garze, 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%  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(1) At 30 June 2009, 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)*

| Name of investee enterprise  | Organisation Code | Place of registration | Principal operation                               | Registered capital<br>RMB'000 | Closing effective investment cost<br>RMB'000 | Percentage of              | Percentage of  |
|--|-------------------|-----------------------|---|-------------------------------|--|----------------------------|--|
|  |                   |                       |   |                               |  | shares held by the Company | voting power directly and indirectly held by the Company |
| 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 | 3,000                         | 3,000  | 100%                       | 100%   |
| Ningdong Wind Power Company  | 799900316         | Lingwu, the PRC       | Generation and sale of electricity                | 10,000                        | 50,000                                       | 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%  |
| Laizhou Wind Power Company   | 674523991         | Laizhou, the PRC      | Generation and sale of electricity                | 146,060                       | 80,333                                       | 55%                        | 55%  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(1) At 30 June 2009, 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)*

| Name of investee enterprise  | Organisation Code | Place of registration | Principal operation  | Registered capital | Closing effective investment cost | Percentage of              | Percentage of                    |
|--|-------------------|-----------------------|--|--------------------|-----------------------------------|----------------------------|----------------------------------|
|  |                   |                       |  |                    |                                   | shares held by the Company | voting power held by the Company |
|  |                   |                       |  | RMB'000            | RMB'000                           |                            |                                  |
| 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            | 97,128                            | 100%                       | 100%                             |
| 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 (vi))          | 681703528         | Tengzhou, the PRC     | Sale of heat   | 15,000             | —                                 | 65.28%                     | 70%                              |
| Maohua Company   | 688065629         | Taiyuan, the PRC      | Investment and management in coal, electricity and heat industry | 554,080            | 554,080                           | 100%                       | 100%                             |

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

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

(1) **At 30 June 2009, 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)

| Name of investee enterprise   | Organisation Code | Place of registration | Principal operation                                     | Registered capital | Closing investment cost | Percentage of        | Percentage of              |
|---|-------------------|-----------------------|---|--------------------|-------------------------|----------------------|----------------------------|
|   |                   |                       |   |                    |                         | effective investment | shares held by the Company |
|   |                   |                       |   | RMB'000            | RMB'000                 |                      |                            |
| Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company") | 674180730         | Zhangjiakou, the PRC  | Generation and sale of electricity (under construction) | 180,270            | 36,100                  | 100%                 | 100%                       |

*Note (vi): Tengzhou Heat Company is the subsidiary controlled by Tengzhou Thermal Power Company, a subsidiary of the Company.*

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(2) Business combinations involving entities under common control during the period****(a) Acquiring Huarui Company**

At the acquisition date of 1 January 2009, the Company acquired a 100% interest in Huarui Company by paying the cost of business combination amounting to RMB767 million.

Huarui Company is principally engaged in the production and sale of electricity and heat, maintenance and test-running of electric equipment. Before the acquisition, all the shares of Huarui Company were held by 12 natural persons.

Huarui Company's financial information is as follows:

|                 | <b>From 1 January<br/>2009 (acquisition date)<br/>to 30 June 2009</b> |
|-----------------|---|
|                 | <i>RMB'000</i>  |
| Turnover        | 594,333   |
| Net profit      | 101,934   |
| Net cash inflow | (23,957)  |



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(2) Business combination involving entities under common control during the period (Continued)****(a) Acquiring Huarui Company (Continued)**

The details of identifiable assets and liabilities are as follows:

|  | 1 January 2009     |                | 31 December<br>2008 |
|--|--------------------|----------------|---------------------|
|  | Carrying<br>amount | Fair value     | Carrying<br>amount  |
|  | RMB'000            | RMB'000        | RMB'000             |
| Cash at bank and on hand   | 195,286            | 195,286        | 195,286             |
| Trade receivables and<br>other receivables                           | 171,159            | 171,159        | 171,159             |
| Inventories  | 26,464             | 26,464         | 26,464              |
| Available-for-sale financial assets                                  | 29,549             | 29,549         | 29,549              |
| Long-term equity investments   | 1,513,070          | 1,541,570      | 1,513,070           |
| Fixed assets, construction in progress<br>and construction materials | 412,999            | 397,926        | 412,999             |
| Intangible assets  | 751                | 670            | 751                 |
| Other non-current assets   | 200                | 200            | 200                 |
| Short-term loans   | (436,900)          | (436,900)      | (436,900)           |
| Trade payables and other payables                                    | (1,007,539)        | (1,007,539)    | (1,007,539)         |
| Long-term loans  | (99,137)           | (99,137)       | (99,137)            |
| Deferred tax liabilities   | (5,762)            | (7,758)        | (5,762)             |
| Identifiable assets and liabilities                                  | <u>800,140</u>     | 811,490        | <u>800,140</u>      |
| Less: Minority interests   |                    | (98,759)       |                     |
| Add: Goodwill  |                    | 54,164         |                     |
| Consideration  |                    | <u>766,895</u> |                     |

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

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

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

(a) Acquiring Huarui Company (Continued)

For the above identifiable assets which have an active market, the quoted prices in the active market are used to establish their fair value; if there is no active market, their fair value is estimated based on the market price of the same or similar types of assets which have an active market; if there is no active market for even the same or similar types of assets, valuation techniques will be used to determine the fair value.

For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

(b) Acquiring coal mines

At the acquisition date of 31 May 2009, the Company acquired a 70% interest in Dongyi Coal Company and a 70% interest in Erpu Coal Company by paying the cost of business combination amounting to RMB363 million and RMB398 million in cash respectively.

Dongyi Coal Company is principally engaged in the construction of coal mines, coal production and related businesses. Before the acquisition, Dongyi Coal Company's parent company was Shuozhou City Dongyi Hotel Company Limited. Erpu Coal Company is principally engaged in the construction of coal mines, coal production and related businesses. Before the acquisition, Erpu Coal Company's parent company was Shuozhou City Wantongyuan Energy Investment Group Company Limited.

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

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

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

(b) Acquiring coal mines (Continued)

Dongyi Coal Company and Erpu Coal Company are under reconstruction and expansion. The financial information at the period end is as follows:

|              | <b>30 June<br/>2009</b> |
|--------------|-------------------------|
|              | <i>RMB'000</i>          |
| Total assets | 625,606                 |
| Net assets   | 145,375                 |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(2) Business combination involving entities under common control during the period (Continued)****(b) Acquiring coal mines (Continued)**

The details of identifiable assets and liabilities are as follows:

|  | 31 May 2009                          |                              | 31 December<br>2008                  |
|--|--------------------------------------|------------------------------|--------------------------------------|
|  | Carrying<br>amount<br><i>RMB'000</i> | Fair value<br><i>RMB'000</i> | Carrying<br>amount<br><i>RMB'000</i> |
| Other receivables  | 1,155                                | 1,155                        | 1,155                                |
| Inventories  | 3,932                                | 3,932                        | 3,380                                |
| Fixed assets, construction in progress<br>and construction materials | 124,129                              | 159,187                      | 97,142                               |
| Prepayments for construction<br>and construction materials           | 23,109                               | 23,109                       | —                                    |
| Intangible assets  | 471,595                              | 1,692,340                    | 471,595                              |
| Trade payables and other payables                                    | (478,545)                            | (478,545)                    | (427,897)                            |
| Deferred tax liabilities   | —                                    | (313,951)                    | —                                    |
| Identifiable assets and liabilities                                  | <u>145,375</u>                       | <u>1,087,227</u>             | <u>145,375</u>                       |
| Less: Minority interests   |                                      | <u>(326,169)</u>             |                                      |
| Consideration  |                                      | <u>761,058</u>               |                                      |

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

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

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

**(b) Acquiring coal mines (Continued)**

For the above identifiable assets which have an active market, the quoted prices in the active market are used to establish their fair value; if there is no active market, their fair value is estimated based on the market price of the same or similar types of assets which have an active market; if there is no active market for even the same asset or similar types of assets, valuation techniques will be used to determine the fair value.

For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****6 Business combination and consolidated financial statements (Continued)****(3) Analysis of minority shareholders' equity of subsidiaries is as follows:**

| <b>Company name</b>                  | <b>Closing<br/>balance of<br/>minority<br/>interests<br/>RMB'000</b> | <b>Opening<br/>balance of<br/>minority<br/>interests<br/>RMB'000</b> |
|--------------------------------------|--|--|
| Guangan Company                      | <b>386,450</b>   | 364,404  |
| Suzhou Company                       | <b>20,649</b>  | 10,113   |
| Wuhu Company                         | <b>155,721</b>   | 162,040  |
| Qingdao Company                      | <b>735,061</b>   | 701,706  |
| Weifang Company                      | <b>1,154,648</b>   | 1,094,996  |
| Zhangqiu Company                     | <b>59,106</b>  | 59,056   |
| Tengzhou Thermal<br>Power Company    | <b>18,168</b>  | 1,515  |
| Lingwu Company                       | <b>321,774</b>   | 271,968  |
| Qingdao Heat Company                 | <b>11,554</b>  | 13,750   |
| Zouxian Company                      | <b>901,258</b>   | 857,869  |
| Laizhou Wind Power Company           | <b>69,163</b>  | 67,491   |
| Luohe Company                        | <b>24,202</b>  | 25,100   |
| Banshan Company                      | <b>241,325</b>   | 227,542  |
| Shijizhuang Thermal<br>Power Company | <b>163,001</b>   | 190,826  |
| Yuhua Thermal Power Company          | <b>38,656</b>  | 194,811  |
| Luhua Thermal Power Company          | <b>3,000</b>   | 15,000   |
| Za-gunao Company                     | <b>186,564</b>   | 168,825  |
| Dongyi Coal Company                  | <b>155,584</b>   | —  |
| Erpu Coal Company                    | <b>170,585</b>   | —  |
| Huafeng Investment Company           | <b>34,106</b>  | —  |
| Guanghua Thermal<br>Power Company    | <b>51,401</b>  | —  |
| Other subsidiaries                   | <b>14,679</b>  | 17,845   |
| <b>Total</b>                         | <b>4,916,655</b>   | <b>4,444,857</b>   |

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

|   | 30 June 2009                 |                  |   | 31 December 2008             |                  |   |
|---|------------------------------|------------------|---|------------------------------|------------------|---|
|   | Original<br>currency<br>'000 | Exchange<br>rate | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Exchange<br>rate | Renminbi/<br>Renminbi<br>equivalent<br>'000 |
| <b>The Group</b>  |                              |                  |   |                              |                  |   |
| Cash on hand  |                              |                  | 1,865                                       |                              |                  | 1,536                                       |
| Cash at bank  |                              |                  |   |                              |                  |   |
| — Renminbi  |                              |                  | 1,981,868                                   |                              |                  | 1,864,847                                   |
| — US dollars  | 7                            | 6.8319           | 48  | 7                            | 6.8346           | 48  |
| — HK dollars  | 5                            | 0.8815           | 5   | 5                            | 0.8819           | 5   |
| Other monetary<br>fund  |                              |                  | 1,131                                       |                              |                  | 2,869                                       |
| Sub-total   |                              |                  | 1,984,917                                   |                              |                  | 1,869,305                                   |
| Guarantee deposits<br>for bank<br>acceptance<br>bills payable |                              |                  | 2,297                                       |                              |                  | 4,791                                       |
| Total   |                              |                  | <u>1,987,214</u>                            |                              |                  | <u>1,874,096</u>                            |
| <b>The Company</b>  |                              |                  |   |                              |                  |   |
| Cash on hand  |                              |                  | 973   |                              |                  | 905   |
| Cash at bank  |                              |                  |   |                              |                  |   |
| — Renminbi  |                              |                  | 669,031                                     |                              |                  | 778,302                                     |
| — US dollars  | 6                            | 6.8319           | 41  | 6                            | 6.8346           | 41  |
| — HK dollars  | 5                            | 0.8815           | 5   | 5                            | 0.8819           | 5   |
| Other monetary<br>fund  |                              |                  | 534   |                              |                  | 1,035                                       |
| Total   |                              |                  | <u>670,584</u>                              |                              |                  | <u>780,288</u>                              |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****8 Bills receivable**

|                       | <b>The Group</b> |                    | <b>The Company</b> |                    |
|-----------------------|------------------|--------------------|--------------------|--------------------|
|                       | <b>30 June</b>   | <b>31 December</b> | <b>30 June</b>     | <b>31 December</b> |
|                       | <b>2009</b>      | <b>2009</b>        | <b>2009</b>        | <b>2008</b>        |
|                       | <i>RMB'000</i>   | <i>RMB'000</i>     | <i>RMB'000</i>     | <i>RMB'000</i>     |
| Bank acceptance bills | <b>71,096</b>    | 19,106             | <b>1,000</b>       | 4,749              |

All of the above bills are due within one year.

At 31 December 2008 and 30 June 2009, there are no bank acceptance bills being pledged by the Group and the Company.

At 30 June 2009, the Group's outstanding endorsed or discounted bills amounted to RMB508 million (31 December 2008: RMB378 million), all of which are due before 4 December 2009 (31 December 2008: before 24 June 2009).

For the current period, the Group and the Company do not have any transfer of acceptance bills to trade receivables due to non-performance of the issuer.

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



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

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Customers (non related party)              | 3,225,495                  | 1,982,825                      | 213,406                    | 1,645                          |
| Less: Provision for bad and doubtful debts | (32,633)                   | (32,633)                       | —                          | —                              |
| <b>Total</b>                               | <b>3,192,862</b>           | <b>1,950,192</b>               | <b>213,406</b>             | <b>1,645</b>                   |

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

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

|                                       | The Group                  |                                | The Company                |                                |
|---------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                                       | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Amount (RMB'000)                      | 2,612,492                  | 1,656,822                      | 213,406                    | 1,645                          |
| Past due                              | 1 month to 6 years         | 1 month to 6 years             | Within one month           | Within one month               |
| Percentage of total trade receivables | 81.00%                     | 83.56%                         | 100.00%                    | 100.00%                        |

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

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Within one year<br>(including<br>one year)                   | 3,183,527                  | 1,941,676                      | 213,406                    | 1,645                          |
| Between one and<br>two years<br>(including<br>two years)     | —                          | 383                            | —                          | —                              |
| Between two and<br>three years<br>(including<br>three years) | 1,202                      | —                              | —                          | —                              |
| Over three years   | 40,766                     | 40,766                         | —                          | —                              |
| Sub-total  | 3,225,495                  | 1,982,825                      | 213,406                    | 1,645                          |
| Less: Provision for<br>bad and<br>doubtful debts             | (32,633)                   | (32,633)                       | —                          | —                              |
| Total  | <u>3,192,862</u>           | <u>1,950,192</u>               | <u>213,406</u>             | <u>1,645</u>                   |

The ageing is counted starting from the date trade receivables are recognised.

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

|  | 30 June 2009      |                                       |                      |                               | 31 December 2008  |                                       |                      |                               |
|--|-------------------|---------------------------------------|----------------------|-------------------------------|-------------------|---------------------------------------|----------------------|-------------------------------|
|  | Amount<br>RMB'000 | Percentage<br>of trade<br>receivables | Provision<br>RMB'000 | Percentage<br>of<br>provision | Amount<br>RMB'000 | Percentage<br>of trade<br>receivables | Provision<br>RMB'000 | Percentage<br>of<br>provision |
| Individually<br>significant<br>amounts         | 3,153,935         | 97.78%                                | 32,633               | 1.03%                         | 1,921,280         | 96.90%                                | 32,633               | 1.70%                         |
| Other<br>insignificant<br>trade<br>receivables | 71,560            | 2.22%                                 | —                    | —                             | 61,545            | 3.10%                                 | —                    | —                             |
| <b>Total</b>                                   | <b>3,225,495</b>  | <b>100.00%</b>                        | <b>32,633</b>        | <b>1.01%</b>                  | <b>1,982,825</b>  | <b>100.00%</b>                        | <b>32,633</b>        | <b>1.65%</b>                  |

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

|  | 30 June 2009                          |                      |                               |                      | 31 December 2008                      |                |                               |            |
|--|---------------------------------------|----------------------|-------------------------------|----------------------|---------------------------------------|----------------|-------------------------------|------------|
|  | Percentage<br>of trade<br>receivables |                      | Percentage<br>of<br>provision |                      | Percentage<br>of trade<br>receivables |                | Percentage<br>of<br>provision |            |
|  | Amount<br>RMB'000                     | Provision<br>RMB'000 | Amount<br>RMB'000             | Provision<br>RMB'000 | Amount<br>RMB'000                     | Proportion     | Provision<br>RMB'000          | Proportion |
| Individually<br>significant<br>amounts | 212,856                               | 99.74%               | —                             | —                    | —                                     | —              | —                             | —          |
| Other immaterial<br>trade receivables  | 550                                   | 0.26%                | —                             | —                    | 1,645                                 | 100.00%        | —                             | —          |
| <b>Total</b>                           | <b>213,406</b>                        | <b>100.00%</b>       | <b>—</b>                      | <b>—</b>             | <b>1,645</b>                          | <b>100.00%</b> | <b>—</b>                      | <b>—</b>   |

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.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****10 Prepayments**

The ageing analysis of prepayments is as follows:

|   | 30 June 2009             |                | 31 December 2008         |                |
|---|--------------------------|----------------|--------------------------|----------------|
|   | Amount<br><i>RMB'000</i> | Proportion     | Amount<br><i>RMB'000</i> | Proportion     |
| <b>The Group</b>                                    |                          |                |                          |                |
| Within one year (including one year)                | 540,710                  | 99.38%         | 168,434                  | 99.09%         |
| Between one and two years (including two years)     | 3,246                    | 0.60%          | 1,421                    | 0.83%          |
| Between two and three years (including three years) | 130                      | 0.02%          | 130                      | 0.08%          |
| Total   | <u>544,086</u>           | <u>100.00%</u> | <u>169,985</u>           | <u>100.00%</u> |

|                                      | 30 June 2009             |                | 31 December 2008         |                |
|--------------------------------------|--------------------------|----------------|--------------------------|----------------|
|                                      | Amount<br><i>RMB'000</i> | Proportion     | Amount<br><i>RMB'000</i> | Proportion     |
| <b>The Company</b>                   |                          |                |                          |                |
| Within one year (including one year) | <u>191,456</u>           | <u>100.00%</u> | <u>18,712</u>            | <u>100.00%</u> |

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.

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

|  | The Group                         |                                       | The Company                       |                                       |
|--|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
|  | 30 June<br>2009<br><i>RMB'000</i> | 31 December<br>2008<br><i>RMB'000</i> | 30 June<br>2009<br><i>RMB'000</i> | 31 December<br>2008<br><i>RMB'000</i> |
| Designated loans<br>due from<br>subsidiaries     | —                                 | —                                     | —                                 | 150,000                               |
| Amounts due from<br>subsidiaries                 | —                                 | —                                     | <b>290,318</b>                    | 324,078                               |
| Others   | <b>361,433</b>                    | 213,205                               | <b>111,078</b>                    | 30,043                                |
| Sub-total  | <b>361,433</b>                    | 213,205                               | <b>401,396</b>                    | 504,121                               |
| Less: Provision for<br>bad and<br>doubtful debts | <b>(3,285)</b>                    | (3,285)                               | <b>(2,530)</b>                    | (2,530)                               |
| Total  | <b>358,148</b>                    | 209,920                               | <b>398,866</b>                    | 501,591                               |

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

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

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

|   | The Group                         |                                       | The Company                       |                                       |
|---|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
|   | 30 June<br>2009<br><i>RMB'000</i> | 31 December<br>2008<br><i>RMB'000</i> | 30 June<br>2009<br><i>RMB'000</i> | 31 December<br>2008<br><i>RMB'000</i> |
| Amount ( <i>RMB'000</i> )                   | <b>177,904</b>                    | 164,170                               | <b>300,503</b>                    | 433,800                               |
| Past due                                    | <b>1 months<br/>to 2 years</b>    | 6 months<br>to 1 years                | <b>1 months<br/>to 2 years</b>    | 6 months<br>to 1 years                |
| Percentage of<br>total other<br>receivables | <b>49.22%</b>                     | 77.00%                                | <b>74.86%</b>                     | 86.05%                                |

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

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Within one year<br>(including<br>one year)                   | 319,572                    | 205,965                        | 262,699                    | 500,074                        |
| Between one and<br>two years<br>(including<br>two years)     | 29,758                     | 1,554                          | 135,320                    | 737                            |
| Between two and<br>three years<br>(including<br>three years) | 7,821                      | 1,876                          | 241                        | 513                            |
| Over three years   | 4,282                      | 3,810                          | 3,136                      | 2,797                          |
| Sub-total  | 361,433                    | 213,205                        | 401,396                    | 504,121                        |
| Less: Provision<br>for bad and<br>doubtful debts             | (3,285)                    | (3,285)                        | (2,530)                    | (2,530)                        |
| Total  | <u>358,148</u>             | <u>209,920</u>                 | <u>398,866</u>             | <u>501,591</u>                 |

The ageing is counted starting from the date other receivables are recognised.



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

|  | 30 June 2009      |                                       |                      |                               | 31 December 2008  |                                       |                      |                               |
|--|-------------------|---------------------------------------|----------------------|-------------------------------|-------------------|---------------------------------------|----------------------|-------------------------------|
|  | Amount<br>RMB'000 | Percentage<br>of other<br>receivables | Provision<br>RMB'000 | Percentage<br>of<br>provision | Amount<br>RMB'000 | Percentage<br>of other<br>receivables | Provision<br>RMB'000 | Percentage<br>of<br>provision |
| Individually<br>significant<br>amounts         | 305,162           | 84.43%                                | 2,266                | 0.74%                         | 179,079           | 83.99%                                | 2,266                | 1.27%                         |
| Other<br>insignificant<br>other<br>receivables | 56,271            | 15.57%                                | 1,019                | 1.81%                         | 34,126            | 16.01%                                | 1,019                | 2.99%                         |
| <b>Total</b>                                   | <b>361,433</b>    | <b>100.00%</b>                        | <b>3,285</b>         | <b>0.91%</b>                  | <b>213,205</b>    | <b>100.00%</b>                        | <b>3,285</b>         | <b>1.54%</b>                  |

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

|                                       | 30 June 2009        |                |               |              | 31 December 2008    |                |               |              |
|---------------------------------------|---------------------|----------------|---------------|--------------|---------------------|----------------|---------------|--------------|
|                                       | Percentage of other |                | Percentage of |              | Percentage of other |                | Percentage of |              |
|                                       | Amount receivables  | Provision      | provision     | of other     | Amount receivables  | Provision      | provision     |              |
|                                       | RMB'000             | RMB'000        |               |              | RMB'000             | RMB'000        |               |              |
| Individually significant amounts      | 386,711             | 96.34%         | 2,266         | 0.59%        | 491,946             | 97.58%         | 2,266         | 0.46%        |
| Other insignificant other receivables | 14,685              | 3.66%          | 264           | 1.80%        | 12,175              | 2.42%          | 264           | 2.17%        |
| <b>Total</b>                          | <b>401,396</b>      | <b>100.00%</b> | <b>2,530</b>  | <b>0.63%</b> | <b>504,121</b>      | <b>100.00%</b> | <b>2,530</b>  | <b>0.50%</b> |

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.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****12 Inventories**

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

|   | Opening<br>balance<br><i>RMB'000</i> | Increase<br>for the<br>period<br><i>RMB'000</i> | Decrease<br>for the<br>period<br><i>RMB'000</i> | Closing<br>balance<br><i>RMB'000</i> |
|---|--------------------------------------|---|---|--------------------------------------|
| <b>The Group</b>  |                                      |   |   |                                      |
| Coal and stalk  | 1,361,016                            | 9,692,173                                       | (10,004,079)                                    | 1,049,110                            |
| Fuel oil  | 70,070                               | 105,388   | (108,228)                                       | 67,230                               |
| Materials, components<br>and spare parts                        | 426,714                              | 1,209,385                                       | (1,183,870)                                     | 452,229                              |
| Sub-total   | 1,857,800                            | 11,006,946                                      | (11,296,177)                                    | 1,568,569                            |
| Less: Provision for<br>diminution in<br>value of<br>inventories | (75,640)                             | —   | —   | (75,640)                             |
| <b>Total</b>  | <b><u>1,782,160</u></b>              | <b><u>11,006,946</u></b>                        | <b><u>(11,296,177)</u></b>                      | <b><u>1,492,929</u></b>              |

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

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

|   | Opening<br>balance<br><i>RMB'000</i> | Increase<br>for the<br>period<br><i>RMB'000</i> | Decrease<br>for the<br>period<br><i>RMB'000</i> | Closing<br>balance<br><i>RMB'000</i> |
|---|--------------------------------------|---|---|--------------------------------------|
| <b>The Company</b>  |                                      |   |   |                                      |
| Coal and stalk  | 223,147                              | 2,037,083                                       | (2,105,136)                                     | 155,094                              |
| Fuel oil  | 24,840                               | 19,467  | (20,493)  | 23,814                               |
| Materials, components<br>and spare parts                        | 204,280                              | 81,353  | (86,806)  | 198,827                              |
| Sub-total   | 452,267                              | 2,137,903                                       | (2,212,435)                                     | 377,735                              |
| Less: Provision for<br>diminution in<br>value of<br>inventories | (54,468)                             | —   | —   | (54,468)                             |
| <b>Total</b>  | <b>397,799</b>                       | <b>2,137,903</b>                                | <b>(2,212,435)</b>                              | <b>323,267</b>                       |

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

- (2) **Analysis of provision for diminution in value of inventories is as follows:**

|                                       | <b>30 June<br/>2009<br/>RMB'000</b> | <b>31 December<br/>2008<br/>RMB'000</b> |
|---------------------------------------|-------------------------------------|---|
| <b>The Group</b>                      |                                     |   |
| Materials, components and spare parts | <u>75,640</u>                       | <u>75,640</u>                           |
| <b>The Company</b>                    |                                     |   |
| Materials, components and spare parts | <u>54,468</u>                       | <u>54,468</u>                           |

**13 Other current assets**

|   | <u>The Group</u>                    |   | <u>The Company</u>                  |   |
|---|-------------------------------------|---|-------------------------------------|---|
|   | <b>30 June<br/>2009<br/>RMB'000</b> | <b>31 December<br/>2008<br/>RMB'000</b> | <b>30 June<br/>2009<br/>RMB'000</b> | <b>31 December<br/>2008<br/>RMB'000</b> |
| VAT recoverable                               | <b>430,438</b>                      | 496,290                                 | <b>38,500</b>                       | 30,032                                  |
| Prepaid city maintenance and construction tax | <b>207</b>                          | 3,480                                   | —                                   | 849                                     |
| Prepaid EIT                                   | <b>51,264</b>                       | 49,723                                  | <b>23,907</b>                       | 23,907                                  |
| Others  | <b>4,405</b>                        | 1,165                                   | <b>6</b>                            | 83                                      |
| <b>Total</b>                                  | <b><u>486,314</u></b>               | <b><u>550,658</u></b>                   | <b><u>62,413</u></b>                | <b><u>54,871</u></b>                    |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments**

|   | The Group                  |                                | The Company                |                                |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
|   | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Investments in subsidiaries                 | —                          | —                              | 12,015,200                 | 9,897,624                      |
| Investments in jointly<br>controlled entity | 219,281                    | 221,817                        | 219,281                    | 221,817                        |
| Investments in associates                   | 3,450,068                  | 1,952,983                      | 1,837,468                  | 1,664,756                      |
| Other long-term equity<br>investments       | 560,198                    | 487,909                        | 455,309                    | 455,309                        |
| Sub-total                                   | 4,229,547                  | 2,662,709                      | 14,527,258                 | 12,239,506                     |
| Less: Provision for<br>impairment           | —                          | —                              | —                          | —                              |
| Total                                       | <u>4,229,547</u>           | <u>2,662,709</u>               | <u>14,527,258</u>          | <u>12,239,506</u>              |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

- (1) **At 30 June 2009, the company's investments in major subsidiaries are as follows:**

|                                       | Initial<br>investment<br>cost<br><i>RMB'000</i> | Movement of investment costs         |                             |                                      |
|---------------------------------------|---|--------------------------------------|-----------------------------|--------------------------------------|
|                                       |   | Opening<br>balance<br><i>RMB'000</i> | Additions<br><i>RMB'000</i> | Closing<br>balance<br><i>RMB'000</i> |
| 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<br>Company         | 374,800   | 374,800                              | —                           | 374,800                              |
| Zhangqiu Company                      | 617,077   | 617,077                              | —                           | 617,077                              |
| Tengzhou Thermal<br>Power Company     | 424,400   | 424,400                              | —                           | 424,400                              |
| Xinxiang Company                      | 372,100   | 372,100                              | —                           | 372,100                              |
| Suzhou Company                        | 818,017   | 518,017                              | 300,000                     | 818,017                              |
| Lingwu Company                        | 562,496   | 390,000                              | 172,496                     | 562,496                              |
| Luding Hydropower<br>Company          | 266,090   | 266,090                              | —                           | 266,090                              |
| Wuhu Company                          | 348,046   | 348,046                              | —                           | 348,046                              |
| Zouxian Company                       | 2,070,000                                       | 2,070,000                            | —                           | 2,070,000                            |
| Shijiazhuang Thermal<br>Power Company | 908,511   | 908,511                              | —                           | 908,511                              |
| Banshan Company                       | 386,724   | 386,724                              | —                           | 386,724                              |
| Za'gunao Hydropower<br>Company        | 449,529   | 449,529                              | —                           | 449,529                              |
| Maohua Company                        | 554,080   | —                                    | 554,080                     | 554,080                              |
| Guyuan Wind Power<br>Company          | 36,100  | —                                    | 36,100                      | 36,100                               |
| Huarui Company                        | 966,895   | —                                    | 966,895                     | 966,895                              |
| Other subsidiaries                    | 423,607   | 335,602                              | 88,005                      | 423,607                              |
|                                       | <u>12,015,200</u>                               | <u>9,897,624</u>                     | <u>2,117,576</u>            | <u>12,015,200</u>                    |

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

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

- (2) As at 30 June 2009, the investment in the jointly controlled entity of the Group and the Company is analysed as follows:

|                                      | Ningxia<br>Zhongning<br>Power<br>Company<br>Limited<br>("Zhongning<br>Company")<br>RMB'000 |
|--------------------------------------|--|
| Initial investment cost              | <u>142,800</u>   |
| Movement of investment costs         |  |
| Opening balance                      | 221,817  |
| Add: Adjustments under equity method | 1,927  |
| Less: Cash dividends received        | <u>(4,463)</u>   |
| Closing balance                      | <u>219,281</u>   |

Details of the joint venture of the Group and the Company is as follows:

| Name of investee enterprise | Organisation Code | Registered address   | Principal operation                      | Registered capital<br>RMB'000 | Percentage of equity interest held by the Group and the Company | Percentage of voting power in investee unit held by the Group and the Company | Closing balance of total assets<br>RMB'000 | Closing balance of total liabilities<br>RMB'000 | Operating income for the period<br>RMB'000 | Net profit for the period<br>RMB'000 |
|-----------------------------|-------------------|----------------------|--|-------------------------------|---|---|--|---|--|--------------------------------------|
|                             |                   |                      |  |                               |   |   |  |   |  |                                      |
| Zhongning Company           | 73597054-2        | Yinchuan,<br>the PRC | Generation<br>and sale of<br>electricity | 285,600                       | 50%   | 50%   | 1,934,858                                  | 1,630,158                                       | 303,317                                    | 3,853                                |



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows:

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

**The Group**

| Name of investee enterprise   | Initial investment cost | Opening balance | Addition in investment | Gain/(loss) in investment | Adjustments under equity method |                                     | Closing balance |
|---|-------------------------|-----------------|------------------------|---------------------------|---------------------------------|-------------------------------------|-----------------|
|   |                         |                 |                        |                           | Transfer of capital reserve     | Cash dividends receivable/ received |                 |
|   | 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                 | 348,254         | —                      | (3,795)                   | —                               | —                                   | 344,459         |
| Anhui Chizhou Jiu Hua Power Generation Company Limited ("Chizhou Company")  | 258,940                 | 160,664         | —                      | (28,099)                  | —                               | —                                   | 132,565         |
| Huadian Property Co. Ltd. ("Huadian Property")                              | 290,000                 | 165,000         | 125,000                | (1,140)                   | —                               | —                                   | 288,860         |
| Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company") | 344,000                 | 153,555         | —                      | 9,001                     | —                               | —                                   | 162,556         |
| Huadian Coal Industry Group Company Limited ("Huadian Coal")                | 335,000                 | 399,586         | —                      | 31,579                    | —                               | (22,417)                            | 408,748         |
| China Huadian Finance Corporation Limited ("China Huadian Finance")         | 361,110                 | 437,511         | —                      | 30,017                    | 14,422                          | (17,680)                            | 464,270         |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

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

**The Group (Continued)**

| Name of investee enterprise   | Initial investment cost<br>RMB'000 | Opening balance<br>RMB'000 | Addition in investment<br>RMB'000 | Gain/(loss) in investment<br>RMB'000 | Adjustments under equity method        |   | Closing balance<br>RMB'000 |
|---|------------------------------------|----------------------------|-----------------------------------|--------------------------------------|--|---|----------------------------|
|   |                                    |                            |                                   |                                      | Transfer of capital reserve<br>RMB'000 | Cash dividends receivable/<br>received<br>RMB'000 |                            |
| China Huadian Group New Energy Development Company Limited<br>("Huadian New Energy")  | 139,605                            | 98,114                     | 40,000                            | 1,791                                | —                                      | —   | 139,905                    |
| Sichuan Huayingshan Longtan Coal Company Limited<br>("Longtan Coal Company")          | 64,910                             | 64,910                     | —                                 | —                                    | —                                      | —   | 64,910                     |
| Shijiazhuang Huadian Heat Company Limited<br>("Shijiazhuang Heat Company")            | 117,143                            | 117,179                    | —                                 | 63                                   | —                                      | —   | 117,242                    |
| Hengshui Hengxing Power Generation Company Limited ("Hengshui Hengxing") (Note (i))   | 189,604                            | —                          | 189,604                           | 23,190                               | —                                      | —   | 212,794                    |
| Hebei Jointo Yuzhou Wind Power Company Limited<br>("Yuzhou Wind Power")<br>(Note (i)) | 87,358                             | —                          | 87,358                            | (5)                                  | —                                      | —   | 87,353                     |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

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

**The Group (Continued)**

| Name of investee enterprise   | Initial investment cost | Opening balance  | Addition in investment | Gain/(loss) in investment | Adjustments under equity method |                                     | Closing balance  |
|---|-------------------------|------------------|------------------------|---------------------------|---------------------------------|-------------------------------------|------------------|
|   |                         |                  |                        |                           | Transfer of capital reserve     | Cash dividends receivable/ received |                  |
|   | RMB'000                 | RMB'000          | RMB'000                | RMB'000                   | RMB'000                         | RMB'000                             | RMB'000          |
| Xingtai Guotai Power Generation Company Limited ("Xingtai Guotai") (Note (f))                 | 208,842                 | —                | 208,842                | 19,966                    | —                               | (15,190)                            | 213,618          |
| Hebei Xibaipo Second Power Generation Company Limited ("Hebei Xibaipo") (Note (f))            | 435,996                 | —                | 435,996                | 14,789                    | —                               | (29,890)                            | 420,895          |
| Guodian Inner Mongolia Dongsheng Power Company Limited ("Dongsheng Thermal Power") (Note (f)) | 112,812                 | —                | 112,812                | 3,287                     | —                               | —                                   | 116,099          |
| Guodian Huai'an Power Company Limited ("Huai'an Thermal Power") (Note (f))                    | 143,682                 | —                | 143,682                | 9,719                     | —                               | —                                   | 153,401          |
| Other associates  | 120,658                 | 8,210            | 112,925                | 2,878                     | —                               | (1,620)                             | 122,393          |
| <b>Total of the Group</b>   | <b>3,489,660</b>        | <b>1,952,983</b> | <b>1,456,219</b>       | <b>113,241</b>            | <b>14,422</b>                   | <b>(86,787)</b>                     | <b>3,450,068</b> |

Note (f): The Company acquired a 100% interest of Huarui Company's equity on 1 January 2009. The above mentioned companies are associates of Huarui Company and Huafeng Investment Company, a subsidiary of Huarui Company.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

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

**The Company**

| Name of investee enterprise | Initial investment cost<br>RMB'000 | Opening balance<br>RMB'000 | Addition in investment<br>RMB'000 | Gain/(loss) in investment<br>RMB'000 | Adjustments under equity method        |   | Closing balance<br>RMB'000 |
|-----------------------------|------------------------------------|----------------------------|-----------------------------------|--------------------------------------|--|---|----------------------------|
|                             |                                    |                            |                                   |                                      | Transfer of capital reserve<br>RMB'000 | Cash dividends receivable/<br>received<br>RMB'000 |                            |
| Ningxia Power Company       | 280,000                            | 348,254                    | —                                 | (3,795)                              | —                                      | —   | 344,459                    |
| Chizhou Company             | 258,940                            | 160,664                    | —                                 | (28,099)                             | —                                      | —   | 132,565                    |
| Huadian Property            | 290,000                            | 165,000                    | 125,000                           | (1,140)                              | —                                      | —   | 286,860                    |
| Luzhou Company              | 344,000                            | 153,555                    | —                                 | 9,001                                | —                                      | —   | 162,556                    |
| Huadian Coal                | 315,000                            | 375,763                    | —                                 | 29,696                               | —                                      | (21,081)  | 384,378                    |
| China Huadian Finance       | 296,548                            | 355,196                    | —                                 | 24,362                               | 11,703                                 | (14,600)  | 376,661                    |
| Huadian New Energy          | 139,605                            | 98,114                     | 40,000                            | 1,791                                | —                                      | —   | 139,905                    |
| Other associates            | 7,733                              | 8,210                      | —                                 | (126)                                | —                                      | —   | 8,084                      |
| <b>Total of the Company</b> | <b>1,831,826</b>                   | <b>1,664,756</b>           | <b>165,000</b>                    | <b>31,690</b>                        | <b>11,703</b>                          | <b>(35,681)</b>                                   | <b>1,837,468</b>           |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

(b) Details of the Company's and the Group's principal associates are as follows:

| Name of investee enterprise | 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 period | Net profit/(loss) for the period |
|-----------------------------|-------------------|-----------------------|--|--------------------|---|---|---|---------------------------------|--------------------------------------|---------------------------------|----------------------------------|
|                             |                   |                       |  |                    |   |   |   |                                 |                                      |                                 |                                  |
| The Company and the Group   |                   |                       |  |                    |   |   |   |                                 |                                      |                                 |                                  |
| Ningxia Power Company       | 78085052          | Yinchuan, the PRC     | Generation and sale of electricity, and investment holding | 800,000            | 31.11%  | 31.11%  | 31.11%  | 13,273,001                      | 11,550,881                           | 1,287,890                       | (12,198)                         |
| Chizhou Company             | 750998669         | Chizhou, the PRC      | Generation and sale of electricity                         | 640,000            | 40%   | 40%   | 40%   | 2,168,767                       | 1,837,354                            | 340,174                         | (70,247)                         |
| Huadian Property            | 77545281-1        | Beijing, the PRC      | Property development                                       | 550,000            | 20%   | 20%   | 20%   | 3,034,375                       | 1,590,073                            | 42,265                          | (6,687)                          |
| Luzhou Company              | 76728573-4        | Luzhou, the PRC       | Generation and sale of electricity                         | 600,000            | 40%   | 40%   | 40%   | 5,122,674                       | 4,659,010                            | 767,289                         | 22,503                           |

## NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

## 14 Long-term equity investments (Continued)

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

(b) Details of the Company's and the Group's principal associates are as follows: (Continued)

| Name of investee enterprise   | 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 held by the Company and the Group | Closing balance of total assets | Closing balance of total liabilities | Operating income for the period | Net profit/ (loss) for the period |
|---|-------------------|-----------------------|---|--------------------|---|---|--|---------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
|   |                   |                       |   |                    |   |   |  |                                 |                                      |                                 |                                   |
| The Company and the Group (Continued)   |                   |                       |   |                    |   |   |  |                                 |                                      |                                 |                                   |
| Huadian Coal  | 71093361-4        | Beijing, the PRC      | Provision of coal procurement service                             | 1,560,000          | 20.19%  | 21.24%  | 21.47%   | 8,651,646                       | 6,201,050                            | 1,769,565                       | 147,081                           |
| Zoucheng Lunan Electric Power Technology Development Company Limited ("Zoucheng Lunan") | 16613151-0        | Zoucheng, the PRC     | Provision of technical service for electricity and other services | 4,333              | 40%   | 40%   | 40%  | 11,760                          | 6,549                                | 20,954                          | (514)                             |
| 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%   | 15,452,858                      | 13,622,862                           | 229,740                         | 176,308                           |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

(b) Details of the Company's and the Group's principal associates are as follows: (Continued)

| Name of investee enterprise  | 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 held by the Group and the Company | Closing balance of total assets | Closing balance of total liabilities | Operating income for the period | Net profit/(loss) for the period |
|--|-------------------|-----------------------|---|--------------------|---|---|--|---------------------------------|--------------------------------------|---------------------------------|----------------------------------|
|  |                   |                       |   |                    |   |   |  |                                 |                                      |                                 |                                  |
| <b>The Company and the Group (Continued)</b>   |                   |                       |   |                    |   |   |  |                                 |                                      |                                 |                                  |
| Huadian New Energy   | 71085502-X        | Beijing, the PRC      | Investment, development and management of new energy projects | 200,000            | 20%   | 20%   | 20%  | 7,271,875                       | 6,420,657                            | 95,112                          | 8,958                            |
| Huadian Jinshajiang Upstream Hydropower Development Co., Ltd. ("Jinshajiang Hydropower Company") | 78911988-4        | Chengdu, the PRC      | Generation and sale of electricity (under construction)       | 50,000             | 20%   | 20%   | 20%  | 373,073                         | 343,073                              | —                               | —                                |

## NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

## 14 Long-term equity investments (Continued)

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

(b) Details of the Company's and the Group's principal associates are as follows: (Continued)

| Name of investee enterprise                          | 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 period | Net profit/(loss) for the period |
|--|-------------------|-----------------------|--|--------------------|---|---|---|---------------------------------|--------------------------------------|---------------------------------|----------------------------------|
|  |                   |                       |  |                    |   |   |   |                                 |                                      |                                 |                                  |
| The Company and the Group (Continued)                |                   |                       |  |                    |   |   |   |                                 |                                      |                                 |                                  |
| Longtan Coal Company                                 | 74692267-7        | Guangan, the PRC      | Development of coal mines and sale of coal | 36,000             | —   | 36%   | 45%   | 692,947                         | 548,338                              | 75,586                          | 56                               |
| Shijiazhuang Heat Company                            | 71636417-X        | Shijiazhuang, the PRC | Generation and sale of heat                | 207,370            | —   | 40.18%  | 49%   | 647,414                         | 408,145                              | 478,188                         | 375                              |
| Pingshan Gangnan Hydroelectric Power Company Limited | 70082307-5        | Shijiazhuang, the PRC | Generation and sale of electricity         | 6,000              | —   | 35%   | 35%   | 15,817                          | 5,709                                | 7,065                           | 684                              |



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

(b) Details of the Company's and the Group's principal associates are as follows: (Continued)

| Name of investee   | Organisation enterprise 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 period | Net profit/ (loss) for the period |
|--|------------------------------|-----------------------|---|--------------------|---|---|---|---------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
|  |                              |                       |   |                    |   |   |   |                                 |                                      |                                 |                                   |
| The Company and the Group (Continued)                              |                              |                       |   |                    |   |   |   |                                 |                                      |                                 |                                   |
| Baoding Huacheng Residual Thermal Power Generation Company Limited | 10595188-1                   | Baoding, the PRC      | Generation and sale of electricity and heat | 12,930             | —   | 33.33%  | 33.33%  | 68,518                          | 37,390                               | 66,697                          | 5,071                             |
| Xingtai Xiangtai Thermal Power Company Limited                     | 75028577-0                   | Xingtai, the PRC      | Generation and sale of electricity and heat | 4,000              | —   | 26%   | 26%   | 32,466                          | 19,677                               | 46,150                          | (17)                              |
| Longyao Huanui Thermal Power Company Limited                       | 75882662-4                   | Xingtai, the PRC      | Generation and sale of electricity and heat | 70,000             | —   | 25%   | 25%   | 380,645                         | 304,681                              | 81,347                          | 5,430                             |

## NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

## 14 Long-term equity investments (Continued)

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

(b) Details of the Company's and the Group's principal associates are as follows: (Continued)

| Name of investee enterprise                   | 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 period | Net profit/ (loss) for the period |
|---|-------------------|-----------------------|--|--------------------|---|---|---|---------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
|   |                   |                       |  |                    |   |   |   |                                 |                                      |                                 |                                   |
| The Company and the Group (Continued)         |                   |                       |  |                    |   |   |   |                                 |                                      |                                 |                                   |
| Hengshui Hengshui                             | 74341504-7        | Hengshui, the PRC     | Generation and sale of electricity and heat  | 475,000            | —   | 30%   | 30%   | 1,663,929                       | 1,066,623                            | 565,589                         | 72,166                            |
| Hebei Tianwei Huaini Electric Company Limited | 67207709-4        | Baoding, the PRC      | Production, sale and repairs of transformers | 100,000            | —   | 34%   | 34%   | 165,251                         | 70,414                               | 3,159                           | (163)                             |
| Yuzhou Wind Power                             | 79842721-3        | Zhangjiakou, the PRC  | Generation and sale of electricity           | 186,000            | —   | 44.08%  | 44.08%  | 818,690                         | 632,702                              | 22,103                          | (12)                              |
| Xingtai Guotai                                | 75244185-0        | Xingtai, the PRC      | Generation and sale of electricity and heat  | 400,000            | —   | 33.84%  | 35%   | 2,105,581                       | 1,495,388                            | 619,551                         | 56,903                            |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

(b) Details of the Company's and the Group's principal associates are as follows: (Continued)

| Name of investee enterprise                  | 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   | Closing   | Operating | Net profit/ |
|--|-------------------|-----------------------|---|--------------------|---|---|---|-----------|-----------|-----------|-------------|
|  |                   |                       |   |                    |   |   |   | balance   | balance   | income    | (loss) for  |
|  |                   |                       |   | RMB'000            |   |   |   | RMB'000   | RMB'000   | RMB'000   | RMB'000     |
| <b>The Company and the Group (Continued)</b> |                   |                       |   |                    |   |   |   |           |           |           |             |
| Hebei Xibaipo                                | 75243698-2        | Shijiazhuang, the PRC | Generation and sale of electricity and heat | 880,000            | —   | 33.84%  | 35%   | 4,501,212 | 3,238,899 | 905,633   | 42,010      |
| Dongsheng Thermal Power                      | 78300658-3        | Erduosi, the PRC      | Generation and sale of electricity and heat | 500,000            | —   | 19.34%  | 20%   | 2,487,227 | 1,906,772 | 306,249   | 16,391      |
| Hua'an Thermal Power                         | 78981246-X        | Zhangjiakou, the PRC  | Generation and sale of electricity and heat | 514,800            | —   | 33.84%  | 35%   | 2,665,419 | 2,247,212 | 573,705   | 79,889      |

## NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

## 14 Long-term equity investments (Continued)

(3) As at 30 June 2009, the investments in principal associates of the Group and the Company are listed as follows: (Continued)

(b) Details of the Company's and the Group's principal associates are as follows: (Continued)

| Name of investee enterprise           | 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 period | Net profit/ (loss) for the period |
|---------------------------------------|-------------------|-----------------------|--|--------------------|---|---|---|---------------------------------|--------------------------------------|---------------------------------|-----------------------------------|
|                                       |                   |                       |  |                    |   |   |   |                                 |                                      |                                 |                                   |
| The Company and the Group (Continued) |                   |                       |  |                    |   |   |   |                                 |                                      |                                 |                                   |
| Hebei Jointo Power Company Limited    | Renqiu 77815447-X | Cangzhou, the PRC     | Generation and sale of electricity and heat (under construction) | 98,850             | —   | 38.67%  | 40%   | 100,695                         | 1,845                                | —                               | —                                 |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****14 Long-term equity investments (Continued)**

- (4) **As at 30 June 2009, the investments in principal other long-term equity investments of the Group and the Company are listed as follows:**

| Name of investee enterprise  | Initial investment cost<br>RMB'000 | Opening balance<br>RMB'000 | Addition in investment<br>RMB'000 | Closing balance<br>RMB'000 |
|--|------------------------------------|----------------------------|-----------------------------------|----------------------------|
| <b>The Company</b>   |                                    |                            |                                   |                            |
| Shandong Luneng Heze Coal Power Development Company Limited          | 103,609                            | 103,609                    | —                                 | 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                              | 7,500                      | —                                 | 7,500                      |
| Ningdong Railway Corporation Limited                                 | 300,000                            | 300,000                    | —                                 | 300,000                    |
| <b>Total of the Company</b>  | <b>455,309</b>                     | <b>455,309</b>             | <b>—</b>                          | <b>455,309</b>             |
| Sichuan Huayingshan Coal Company Limited ("Longtan Coal Company")    | 20,000                             | 20,000                     | —                                 | 20,000                     |
| Hebei Handan Power Corporation Limited ("Handan Power") (Note (i))   | 72,289                             | —                          | 72,289                            | 72,289                     |
| Others   | 12,600                             | 12,600                     | —                                 | 12,600                     |
| <b>Total of the Group</b>  | <b>560,198</b>                     | <b>487,909</b>             | <b>72,289</b>                     | <b>560,198</b>             |

*Note (i): The Company acquired a 100% interest of Huarui Company's equity on 1 January 2009. The investment in Handan Power is other long-term equity investment of Huarui Company.*

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****15 Fixed assets**

|   | The Group                   |  |                          |                         |
|---|-----------------------------|--|--------------------------|-------------------------|
|   | Buildings<br><i>RMB'000</i> | Generators<br>and related<br>machinery<br>and<br>equipment<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
| <b>Cost:</b>  |                             |  |                          |                         |
| Opening balance for the period                            | 20,002,989                  | 61,928,422   | 1,388,177                | 83,319,588              |
| Additions for the period                                  | 3,333                       | 1,316  | 13,344                   | 17,993                  |
| Additions from acquisition of subsidiaries                | 205,166                     | 290,437  | 32,688                   | 528,291                 |
| Transfer from construction in progress ( <i>note 16</i> ) | 543,294                     | 1,851,980  | 100,910                  | 2,496,184               |
| Disposals for the period                                  | —                           | (2,076)  | (4,521)                  | (6,597)                 |
| Closing balance for the period                            | <u>20,754,782</u>           | <u>64,070,079</u>  | <u>1,530,598</u>         | <u>86,355,459</u>       |
| <b>Less: Accumulated depreciation:</b>                    |                             |  |                          |                         |
| Opening balance for the period                            | (4,896,999)                 | (16,878,784)   | (728,899)                | (22,504,682)            |
| Charge for the period                                     | (349,244)                   | (1,598,251)  | (63,151)                 | (2,010,646)             |
| Written-back on disposals                                 | —                           | 431  | 4,513                    | 4,944                   |
| Closing balance for the period                            | <u>(5,246,243)</u>          | <u>(18,476,604)</u>  | <u>(787,537)</u>         | <u>(24,510,384)</u>     |
| <b>Net book value:</b>                                    |                             |  |                          |                         |
| Closing balance for the period                            | <u>15,508,539</u>           | <u>45,593,475</u>  | <u>743,061</u>           | <u>61,845,075</u>       |
| Opening balance for the period                            | <u>15,105,990</u>           | <u>45,049,638</u>  | <u>659,278</u>           | <u>60,814,906</u>       |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****15 Fixed assets (Continued)**

|   | The Company                 |  |                          |                         |
|---|-----------------------------|--|--------------------------|-------------------------|
|   | Buildings<br><i>RMB'000</i> | Generators<br>and related<br>machinery<br>and<br>equipment<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
| <b>Cost:</b>  |                             |  |                          |                         |
| Opening balance for the period                            | 4,950,426                   | 14,221,083   | 503,498                  | 19,675,007              |
| Additions for the period                                  | —                           | 1,195  | 6,366                    | 7,561                   |
| Transfer from construction in progress ( <i>note 16</i> ) | 12,705                      | 40,459   | 389                      | 53,553                  |
| Closing balance for the period                            | 4,963,131                   | 14,262,737   | 510,253                  | 19,736,121              |
| <b>Less: Accumulated depreciation:</b>                    |                             |  |                          |                         |
| Opening balance for the period                            | (2,136,367)                 | (7,998,963)  | (284,877)                | (10,420,207)            |
| Charge for the period                                     | (92,631)                    | (320,494)  | (15,269)                 | (428,394)               |
| Closing balance for the period                            | (2,228,998)                 | (8,319,457)  | (300,146)                | (10,848,601)            |
| <b>Net book value:</b>                                    |                             |  |                          |                         |
| Closing balance for the period                            | 2,734,133                   | 5,943,280  | 210,107                  | 8,887,520               |
| Opening balance for the period                            | 2,814,059                   | 6,222,120  | 218,621                  | 9,254,800               |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****16 Construction in progress and construction materials**

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

| Project  | Budgeted amount<br>RMB'000 | Opening balance<br>RMB'000 | Additions/<br>(Decreases)<br>for the period<br>RMB'000 | Acquisition of subsidiary<br>RMB'000 | Transfer to a fixed assets<br>RMB'000 | Closing balance<br>RMB'000 | Proportion to budget | Source of funds               |
|--|----------------------------|----------------------------|--|--------------------------------------|---------------------------------------|----------------------------|----------------------|-------------------------------|
| <b>The Company</b>   |                            |                            |  |                                      |                                       |                            |                      |                               |
| Desulphurisation, technical improvement projects and others    | —                          | 745,682                    | 266,371  | —                                    | (53,553)                              | 958,500                    | —                    | Self-financing and bank loans |
| Total of the Company   |                            | 745,682                    | 266,371  | —                                    | (53,553)                              | 958,500                    |                      |                               |
| <b>Subsidiaries</b>  |                            |                            |  |                                      |                                       |                            |                      |                               |
| Guangan Company Phase III generating units                     | 4,106,596                  | 296,743                    | 57,845   | —                                    | —                                     | 354,588                    | 91.5%                | Self-financing and bank loans |
| Lingwu Company Phase II generating units                       | 7,669,000                  | 217,267                    | 67,320   | —                                    | —                                     | 284,587                    | 3.7%                 | Self-financing and bank loans |
| Luohe Company Phase I generating units                         | 2,784,980                  | 167,175                    | 105,533  | —                                    | —                                     | 272,708                    | 9.8%                 | Self-financing and bank loans |
| Kailu Wind Power Company Yihetala Phase I generating units     | 485,640                    | 25,987                     | 8,028  | —                                    | —                                     | 33,915                     | 7.0%                 | Self-financing and bank loans |
| Kailu Wind Power Company Beiqinghe generating units            | 2,421,570                  | 25,398                     | 44,989   | —                                    | —                                     | 70,387                     | 2.9%                 | Self-financing and bank loans |
| Shijiazhuang Yuhua Thermal Power Company project               | 2,731,620                  | 1,407,243                  | 990,440  | —                                    | (2,361,059)                           | 36,624                     | 87.8%                | Self-financing and bank loans |
| Za'gunao Hydroelectric Company Shiziping hydroelectric project | 2,950,000                  | 1,883,325                  | 349,717  | —                                    | —                                     | 2,233,042                  | 75.7%                | Self-financing and bank loans |
| Za'gunao Hydroelectric Company Old city hydroelectric project  | 1,490,000                  | 904,132                    | 511,357  | —                                    | —                                     | 1,415,489                  | 95.0%                | Self-financing and bank loans |
| Project materials  | —                          | 6,882                      | 59,391   | 10,275                               | —                                     | 76,548                     | —                    | Self-financing and bank loans |
| Desulphurisation, technical improvement projects and others    | —                          | 2,530,640                  | 828,066  | 18,547                               | (81,572)                              | 3,295,681                  | —                    | Self-financing and bank loans |
| Sub-total of subsidiaries                                      |                            | 7,464,692                  | 3,022,686  | 28,822                               | (2,442,631)                           | 8,073,569                  |                      |                               |
| Total of the Group   |                            | 8,210,374                  | 3,289,057  | 28,822                               | (2,496,184)                           | 9,032,069                  |                      |                               |

(note 15)



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****16 Construction in progress and construction materials (Continued)**

The Group's and Company's carrying amount of construction in progress at the end of the period included capitalised borrowing cost of RMB1,049 million and RMB109 million respective (2008: RMB869 million and RMB72.14 million respectively). The interest rate per annum at which the borrowing costs were capitalised for the period by the Group and the Company were 5.40% and 4.62% (Six months ended 30 June 2008: 6.53% and 6.40% respectively).

**17 Intangible assets**

|  | The Group                  |                          |                   |                  |
|--|----------------------------|--------------------------|-------------------|------------------|
|  | Land use rights<br>RMB'000 | Mining rights<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
| <b>Cost:</b>                               |                            |                          |                   |                  |
| Opening balance for the period             | 1,396,560                  | —                        | —                 | 1,396,560        |
| Additions for the period                   | 1,350                      | —                        | 10,095            | 11,445           |
| Additions from acquisition of subsidiaries | —                          | 1,692,340                | 670               | 1,693,010        |
| Closing balance for the period             | 1,397,910                  | 1,692,340                | 10,765            | 3,101,015        |
| <b>Less: Accumulated depreciation:</b>     |                            |                          |                   |                  |
| Opening balance for the period             | (202,259)                  | —                        | —                 | (202,259)        |
| Charge for the period                      | (17,735)                   | —                        | (638)             | (18,373)         |
| Closing balance for the period             | (219,994)                  | —                        | (638)             | (220,632)        |
| <b>Net book value:</b>                     |                            |                          |                   |                  |
| Closing balance for the period             | 1,177,916                  | 1,692,340                | 10,127            | 2,880,383        |
| Opening balance for the period             | 1,194,301                  | —                        | —                 | 1,194,301        |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****17 Intangible assets (Continued)**

|  | The Company                       |                          |                         |
|--|-----------------------------------|--------------------------|-------------------------|
|  | Land use rights<br><i>RMB'000</i> | Others<br><i>RMB'000</i> | Total<br><i>RMB'000</i> |
| <b>Cost:</b>                           |                                   |                          |                         |
| Opening balance for the period         | 241,451                           | —                        | 241,451                 |
| Additions for the period               | —                                 | 9,776                    | 9,776                   |
| Closing balance for the period         | 241,451                           | 9,776                    | 251,227                 |
| <b>Less: Accumulated depreciation:</b> |                                   |                          |                         |
| Opening balance for the period         | (77,067)                          | —                        | (77,067)                |
| Charge for the period                  | (7,246)                           | (509)                    | (7,755)                 |
| Closing balance for the period         | (84,313)                          | (509)                    | (84,822)                |
| <b>Net book value:</b>                 |                                   |                          |                         |
| Closing balance for the period         | 157,138                           | 9,267                    | 166,405                 |
| Opening balance for the period         | 164,384                           | —                        | 164,384                 |

The land use rights of the Group and the Company are mainly obtained through acquisitions.

At 30 June 2009, the remaining amortisation period of land use rights are ranging from 3 to 63 years.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****17 Intangible assets (Continued)**

As at 30 June 2009, the Group's total land use rights with indefinite life amounted to RMB 400,467,000 (2008: 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 period.

Mineral right is a right to extract the mineral resources and obtain the extraction minerals, in the prescribed extension of excused mineral rights certification. Mineral rights of the Company are acquired through acquisition of equity of Dongyi Coal Company and Erpu Coal Company (see note 6(2)(b)).

**18 Goodwill**

|                                | <b>The Group</b><br><i>RMB'000</i> | <b>The Company</b><br><i>RMB'000</i> |
|--------------------------------|------------------------------------|--------------------------------------|
| Opening balance                | 53,522                             | 12,111                               |
| Additions ( <i>note 6(2)</i> ) | 54,164                             | —                                    |
| Closing balance                | <u>107,686</u>                     | <u>12,111</u>                        |

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

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****19 Deferred tax assets and liabilities****The Group**

|   | Deferred tax assets/(liabilities) |   |  |  | Closing<br>balance<br>RMB'000 | Temporary<br>difference<br>closing<br>balance<br>RMB'000 |
|---|-----------------------------------|---|--|--|-------------------------------|--|
|   | Opening<br>balance<br>RMB'000     | Movement<br>charged to<br>capital<br>reserve<br>RMB'000 | Movement<br>charged to<br>Income<br>statement<br>RMB'000 | Acquisition<br>of<br>subsidiaries<br>RMB'000 |                               |  |
| Provision for stock<br>and bad debt       | 24,883                            | —   | —  | —  | 24,883                        | 111,183  |
| Amortisation of<br>Pre-operation expenses | 24,284                            | —   | (17,882)   | —  | 6,402                         | 28,607   |
| Accrued salary<br>expenses                | 24,432                            | —   | 2,125  | —  | 26,557                        | 106,228  |
| Tax losses                                | 261,416                           | —   | (87,147)   | —  | 174,269                       | 697,076  |
| Fair value adjustment                     | (124,828)                         | (6,655)   | 6,534  | (321,709)                                    | (446,658)                     | (1,885,018)  |
| Depreciation of<br>fixed assets           | (636,477)                         | —   | (49,497)   | —  | (685,974)                     | (2,743,897)  |
| Capitalised interests                     | (24,331)                          | —   | 617  | —  | (23,714)                      | (96,158)   |
| Long-term equity<br>investment            | (62,280)                          | —   | —  | —  | (62,280)                      | (249,120)  |
| Unrealised exchange<br>gain               | (29,868)                          | —   | (75)   | —  | (29,943)                      | (119,772)  |
| Others                                    | 2,303                             | —   | 6,839  | —  | 9,142                         | 36,568   |
| <b>Total</b>                              | <b>(540,466)</b>                  | <b>(6,655)</b>  | <b>(138,486)</b>   | <b>(321,709)</b>                             | <b>(1,007,316)</b>            | <b>(4,114,303)</b>                                       |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****19 Deferred tax assets and liabilities (Continued)****The Company**

|                                     | Deferred tax assets/(liabilities) |  |                               | Temporary<br>difference<br>closing<br>balance<br>RMB'000 |
|-------------------------------------|-----------------------------------|--|-------------------------------|--|
|                                     | Opening<br>balance<br>RMB'000     | Movement<br>charged to<br>Income<br>statement<br>RMB'000 | Closing<br>balance<br>RMB'000 |  |
| Provision for stock<br>and bad debt | 14,250                            | —  | 14,250                        | 56,998   |
| Accrued salary<br>expenses          | 7,023                             | —  | 7,023                         | 28,093   |
| Tax losses                          | 28,700                            | —  | 28,700                        | 114,801  |
| Long-term equity<br>investment      | (62,280)                          | —  | (62,280)                      | (249,120)  |
| Unrealised exchange<br>gain         | (28,700)                          | —  | (28,700)                      | (114,801)  |
| <b>Total</b>                        | <b>(41,007)</b>                   | <b>—</b>   | <b>(41,007)</b>               | <b>(164,029)</b>   |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****19 Deferred tax assets and liabilities (Continued)**

At 30 June 2009, the net value of deferred tax assets and liabilities in the balance sheet are as follows:

|                              | The Group                  |                                | The Company                |                                |
|------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                              | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Net deferred tax assets      | 192,425                    | 269,418                        | —                          | —                              |
| Net deferred tax liabilities | (1,199,741)                | (809,884)                      | (41,007)                   | (41,007)                       |
| Total                        | <u>(1,007,316)</u>         | <u>(540,466)</u>               | <u>(41,007)</u>            | <u>(41,007)</u>                |

According to the accounting policy in note 3(13), as at 30 June 2009, the Group's and the Company's tax losses not recognised as deferred tax assets amounted to RMB2,801,281,000 and RMB556,449,000 respectively (31 December 2008: RMB2,810,589,000 and RMB507,893,000 respectively). According to the current tax law, these tax deductible losses will be expired in 2013 and 2014.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****20 Impairment of assets**

Impairment of assets of the Group as at 30 June 2009 is summarised as follows:

|                     | Note | Opening<br>balance<br>RMB'000 | Charge<br>for the<br>period<br>RMB'000 | Decrease<br>for the period |                      | Closing<br>balance<br>RMB'000 |
|---------------------|------|-------------------------------|--|----------------------------|----------------------|-------------------------------|
|                     |      |                               |  | Reversal<br>RMB'000        | Write off<br>RMB'000 |                               |
| Bad debt provision  |      |                               |  |                            |                      |                               |
| — Trade receivables | 9    | 32,633                        | —                                      | —                          | —                    | 32,633                        |
| — Other receivables | 11   | 3,285                         | —                                      | —                          | —                    | 3,285                         |
| Stock provision     | 12   | 75,640                        | —                                      | —                          | —                    | 75,640                        |
| Total               |      | <u>111,558</u>                | <u>—</u>                               | <u>—</u>                   | <u>—</u>             | <u>111,558</u>                |

Impairment of assets of the Company as at 30 June 2009 is summarised as follows:

|                     | Note | Opening<br>balance<br>RMB'000 | Charge<br>for the<br>period<br>RMB'000 | Decrease<br>for the period |                      | Closing<br>balance<br>RMB'000 |
|---------------------|------|-------------------------------|--|----------------------------|----------------------|-------------------------------|
|                     |      |                               |  | Reversal<br>RMB'000        | Write off<br>RMB'000 |                               |
| Bad debt provision  |      |                               |  |                            |                      |                               |
| — Other receivables | 11   | 2,530                         | —                                      | —                          | —                    | 2,530                         |
| Stock provision     | 12   | 54,468                        | —                                      | —                          | —                    | 54,468                        |
| Total               |      | <u>56,998</u>                 | <u>—</u>                               | <u>—</u>                   | <u>—</u>             | <u>56,998</u>                 |

There was no significant impairment loss recognised during the period.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****21 Restricted assets**

At 30 June 2009, the Group's and the Company's assets with restriction placed on their ownership are as follows:

| Type                          | Note | Opening<br>balance<br>RMB'000 | Increase<br>for the<br>period<br>RMB'000 | Decrease<br>for the<br>period<br>RMB'000 | Closing<br>balance<br>RMB'000 |
|-------------------------------|------|-------------------------------|--|--|-------------------------------|
| <b>The Group</b>              |      |                               |  |  |                               |
| Assets used as guarantee      |      |                               |  |  |                               |
| — Cash at bank and on hand    | 7    | 4,791                         | 2,297                                    | (4,791)                                  | 2,297                         |
| — Trade receivables           | 22   | 1,248,544                     | 985,699                                  | (2,130,245)                              | 103,998                       |
| Total                         |      | <u>1,253,335</u>              | <u>987,996</u>                           | <u>(2,135,036)</u>                       | <u>106,295</u>                |
| <b>The Company</b>            |      |                               |  |  |                               |
| Assets used as guarantee      |      |                               |  |  |                               |
| — Trade receivables           | 22   | 450,507                       | —  | (450,507)                                | —                             |
| — Long-term equity investment | 14   | 1,760,446                     | —  | (1,310,917)                              | 449,529                       |
|                               |      | <u>2,210,953</u>              | <u>—</u>                                 | <u>(1,761,424)</u>                       | <u>449,529</u>                |

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.



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****22 Short-term loans**

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Unsecured loans                                | 17,245,648                 | 10,772,134                     | 7,647,334                  | 4,517,684                      |
| Loans guaranteed<br>by third party enterprises | —                          | 325,000                        | —                          | 300,000                        |
| Secured loans                                  | 58,000                     | 909,000                        | —                          | 450,000                        |
| Total  | <u>17,303,648</u>          | <u>12,006,134</u>              | <u>7,647,334</u>           | <u>5,267,684</u>               |

The secured loans were secured by the Group's and the Company's trade receivables.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****22 Short-term loans (Continued)**

|  | The Group            |                        |                                   |                      |                        |                                   |
|--|----------------------|------------------------|-----------------------------------|----------------------|------------------------|-----------------------------------|
|  | 30 June 2009         |                        |                                   | 31 December 2008     |                        |                                   |
|  | Annual interest rate | Original currency '000 | Renminbi/Renminbi equivalent '000 | Annual interest rate | Original currency '000 | Renminbi/Renminbi equivalent '000 |
| Short-term bank loans                                |                      |                        |                                   |                      |                        |                                   |
| — Renminbi   | 4.23%-<br>6.72%      |                        | 11,485,140                        | 4.37%-<br>7.47%      |                        | 9,491,484                         |
| — US dollars   | 2.75%-<br>3.28%      | 65,139                 | 445,024                           | 5.13%-<br>7.76%      | 65,139                 | 445,200                           |
| Short-term Renminbi other loans<br>(note (i))        | 4.13%-<br>7.47%      |                        | 4,439,174                         | 4.78%-<br>7.47%      |                        | 1,409,450                         |
| Short-term Renminbi shareholder loans<br>(note (ii)) | 4.03%-<br>5.62%      |                        | 934,310                           | 7.23%                |                        | 660,000                           |
|  |                      |                        | <u>17,303,648</u>                 |                      |                        | <u>12,006,134</u>                 |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****22 Short-term loans (Continued)**

|  | The Company          |                        |                                   |                      |                        |                                   |
|--|----------------------|------------------------|-----------------------------------|----------------------|------------------------|-----------------------------------|
|  | 30 June 2009         |                        |                                   | 31 December 2008     |                        |                                   |
|  | Annual interest rate | Original currency '000 | Renminbi/Renminbi equivalent '000 | Annual interest rate | Original currency '000 | Renminbi/Renminbi equivalent '000 |
| Short-term bank loans                                |                      |                        |                                   |                      |                        |                                   |
| — Renminbi   | 4.37%-<br>5.02%      |                        | 3,878,000                         | 4.54%-<br>5.58%      |                        | 3,772,484                         |
| — US dollars   | 2.75%-<br>3.28%      | 65,139                 | 445,024                           | 5.13%-<br>7.76%      | 65,139                 | 445,200                           |
| Short-term Renminbi other loans<br>(note (i))        | 4.32%-<br>6.72%      |                        | 2,850,000                         | 4.78%-<br>6.92%      |                        | 550,000                           |
| Short-term Renminbi shareholder loans<br>(note (ii)) | 4.03%-<br>4.78%      |                        | 474,310                           | 7.23%                |                        | 500,000                           |
|  |                      |                        | <u>7,647,334</u>                  |                      |                        | <u>5,267,684</u>                  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****22 Short-term loans (Continued)**

Notes:

**(i) Short-term Renminbi other loans**

|                         | <u>The Group</u>                    |   | <u>The Company</u>                  |   |
|-------------------------|-------------------------------------|---|-------------------------------------|---|
|                         | <b>30 June<br/>2009<br/>RMB'000</b> | <b>31 December<br/>2008<br/>RMB'000</b> | <b>30 June<br/>2009<br/>RMB'000</b> | <b>31 December<br/>2008<br/>RMB'000</b> |
| China Huadian Finance   | <b>1,640,000</b>                    | 800,000                                 | <b>800,000</b>                      | 200,000                                 |
| CHD Operation           | <b>30,000</b>                       | —                                       | —                                   | —                                       |
| Loans from subsidiaries | —                                   | —                                       | <b>50,000</b>                       | 50,000                                  |
| Others                  | <b>2,769,174</b>                    | 609,450                                 | <b>2,000,000</b>                    | 300,000                                 |
|                         | <b><u>4,439,174</u></b>             | <b><u>1,409,450</u></b>                 | <b><u>2,850,000</u></b>             | <b><u>550,000</u></b>                   |

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 0% - 10%.

Others mainly represents loans borrowed from trust and investment companies.

**(ii) Short-term Renminbi shareholder loans**

Shareholder loans were borrowed from China Huadian and Shandong International Trust and Investment Corporation. The interest rates were determined according to their own cost of financing. The interest rates as at 30 June 2009 were 4.03% to 5.62% per annum (31 December 2008: 7.23%).

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.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****23 Bills payable**

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

**24 Trade payables**

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

At 30 June 2009, the Group and the Company do not have any individually significant trade payable with ageing over one year.

**25 Wages payable**

|   | Opening<br>balance | Addition for<br>the period | Payment for<br>the period | Closing<br>balance |
|---|--------------------|----------------------------|---------------------------|--------------------|
|   | <i>RMB'000</i>     | <i>RMB'000</i>             | <i>RMB'000</i>            | <i>RMB'000</i>     |
| <b>The Group</b>                            |                    |                            |                           |                    |
| Wages, bonuses, allowances<br>and subsidies | 151,507            | 391,673                    | (364,758)                 | 178,422            |
| Staff welfare                               | —                  | 14,340                     | (13,289)                  | 1,051              |
| Social insurance expenses                   |                    |                            |                           |                    |
| Medical insurance                           | 9,809              | 57,478                     | (53,307)                  | 13,980             |
| Basic pension                               | 5,363              | 142,074                    | (138,392)                 | 9,045              |
| Supplementary pension                       | 282                | 33,569                     | (32,177)                  | 1,674              |
| Unemployment insurance                      | 2,969              | 12,227                     | (11,966)                  | 3,230              |
| Industrial injury insurance                 | 160                | 3,634                      | (3,503)                   | 291                |
| Maturity insurance                          | 17                 | 2,523                      | (2,306)                   | 234                |
| Housing fund                                | 2,548              | 116,327                    | (112,576)                 | 6,299              |
| Labour union and staff<br>education fund    | 19,341             | 17,718                     | (13,107)                  | 23,952             |
| Termination benefits                        | 17,373             | 147                        | (2,195)                   | 15,325             |
| Others                                      | 438                | 39,923                     | (40,140)                  | 221                |
| <b>Total</b>                                | <b>209,807</b>     | <b>831,633</b>             | <b>(787,716)</b>          | <b>253,724</b>     |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****25 Wages payable (Continued)**

|   | Opening<br>balance<br><i>RMB'000</i> | Addition for<br>the period<br><i>RMB'000</i> | Payment for<br>the period<br><i>RMB'000</i> | Closing<br>balance<br><i>RMB'000</i> |
|---|--------------------------------------|--|---|--------------------------------------|
| <b>The Company</b>                          |                                      |  |   |                                      |
| Wages, bonuses, allowances<br>and subsidies | 28,093                               | 96,890                                       | (96,876)                                    | 28,107                               |
| Staff welfare                               | —                                    | 5,316  | (4,478)                                     | 838                                  |
| Social insurance expenses                   |                                      |  |   |                                      |
| Medical insurance                           | 646                                  | 13,378                                       | (13,220)                                    | 804                                  |
| Basic pension                               | 306                                  | 44,223                                       | (44,186)                                    | 343                                  |
| Supplementary pension                       | 85                                   | 11,055                                       | (11,070)                                    | 70                                   |
| Unemployment insurance                      | 1,575                                | 3,388  | (3,404)                                     | 1,559                                |
| Industrial injury insurance                 | 4                                    | 1,118  | (1,118)                                     | 4                                    |
| Maturity insurance                          | 1                                    | 461  | (462)                                       | —                                    |
| Housing fund                                | 65                                   | 31,878                                       | (31,849)                                    | 94                                   |
| Labour union and staff<br>education fund    | 4,877                                | 4,774  | (4,922)                                     | 4,729                                |
| Others                                      | —                                    | 14,660                                       | (14,699)                                    | (39)                                 |
| <b>Total</b>                                | <b>35,652</b>                        | <b>227,141</b>                               | <b>(226,284)</b>                            | <b>36,509</b>                        |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****26 Other payables**

|                                      | The Group                         |                                       | The Company                       |                                       |
|--------------------------------------|-----------------------------------|---------------------------------------|-----------------------------------|---------------------------------------|
|                                      | 30 June<br>2009<br><i>RMB'000</i> | 31 December<br>2008<br><i>RMB'000</i> | 30 June<br>2009<br><i>RMB'000</i> | 31 December<br>2008<br><i>RMB'000</i> |
| Amounts due to China Huadian         | <b>94,042</b>                     | 964,096                               | <b>88,942</b>                     | 958,996                               |
| Amounts due to subsidiaries          | —                                 | —                                     | <b>492,760</b>                    | 421,632                               |
| Amounts due to other related parties | <b>18,511</b>                     | 12,886                                | —                                 | —                                     |
| Amounts due to unrelated parties     | <b>2,514,811</b>                  | 1,749,575                             | <b>555,560</b>                    | 172,286                               |
|                                      | <b><u>2,627,364</u></b>           | <b><u>2,726,557</u></b>               | <b><u>1,137,262</u></b>           | <b><u>1,552,914</u></b>               |

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 30 June 2009, 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.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****27 Long-term loans due within one year**

|              | The Group                    |   |                              |   | The Company                  |   |                              |   |
|--------------|------------------------------|---|------------------------------|---|------------------------------|---|------------------------------|---|
|              | 30 June 2009                 |   | 31 December 2008             |   | 30 June 2009                 |   | 31 December 2008             |   |
|              | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 |
| Bank loans   |                              |   |                              |   |                              |   |                              |   |
| — Renminbi   |                              | 3,411,996                                   |                              | 3,613,060                                   | 470,000                      |   |                              | 120,000                                     |
| — US dollars | 500                          | 3,416                                       | 100,500                      | 686,877                                     | —                            | —   | 100,000                      | 683,460                                     |
| — Euros      | 1,356                        | 13,074                                      | 1,356                        | 13,100                                      | —                            | —   | —                            | —   |
| State loans  |                              |   |                              |   |                              |   |                              |   |
| — Renminbi   |                              | 682   |                              | —   | —                            |   |                              | —   |
| — US dollars | 1,549                        | 10,581                                      | 1,491                        | 10,192                                      | 1,549                        | 10,581                                      | 1,491                        | 10,192                                      |
| Other loans  |                              |   |                              |   |                              |   |                              |   |
| — Renminbi   |                              | 194,075                                     |                              | 338,440                                     | —                            | —   |                              | —   |
| — US dollars | 2,309                        | 15,773                                      | 2,307                        | 15,772                                      | —                            | —   | —                            | —   |
|              |                              | <u>3,649,597</u>                            |                              | <u>4,677,441</u>                            | <u>480,581</u>               |   |                              | <u>813,652</u>                              |
|              |                              | (note 28(b))                                |                              | (note 28(b))                                | (note 28(b))                 |   |                              | (note 28(b))                                |

Please refer to note 28 for details of loans.



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans****(a) Details of repayment terms of long-term loans are as follows:**

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Bank loans   |                            |                                |                            |                                |
| — Between one and two years<br>(including two years)   | 4,772,828                  | 5,412,235                      | 783,190                    | 630,000                        |
| — Between two and five years<br>(including five years) | 11,054,579                 | 10,429,290                     | 400,000                    | 340,000                        |
| — Over five years                                      | 21,031,196                 | 20,220,286                     | —                          | —                              |
|  | <b>36,858,603</b>          | <b>36,061,811</b>              | <b>1,183,190</b>           | <b>970,000</b>                 |
| Shareholder loans                                      |                            |                                |                            |                                |
| — Between one and two years<br>(including two years)   | 570,603                    | 570,603                        | 335,000                    | 335,000                        |
| — Between two and five years<br>(including five years) | 424,542                    | 290,925                        | 287,821                    | 286,878                        |
| — Over five years                                      | 1,090,000                  | 1,090,000                      | —                          | —                              |
|  | <b>2,085,145</b>           | <b>1,951,528</b>               | <b>622,821</b>             | <b>621,878</b>                 |
| State loans  |                            |                                |                            |                                |
| — Between one and two years<br>(including two years)   | 13,324                     | 12,904                         | 12,433                     | 12,013                         |
| — Between two and five years<br>(including five years) | 18,046                     | 23,868                         | 15,373                     | 21,196                         |
| — Over five years                                      | 12,681                     | 13,363                         | 7,127                      | 7,126                          |
|  | <b>44,051</b>              | <b>50,135</b>                  | <b>34,933</b>              | <b>40,335</b>                  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans (Continued)**

- (a) **Details of repayment terms of long-term loans are as follows: (Continued)**

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Other loans  |                            |                                |                            |                                |
| — Between one and two years<br>(including two years)   | 1,208,948                  | 298,592                        | —                          | —                              |
| — Between two and five years<br>(including five years) | 1,429,650                  | 1,540,860                      | 400,000                    | 200,000                        |
| — Over five years                                      | 480,032                    | 467,117                        | —                          | —                              |
|  | <u>3,118,630</u>           | <u>2,306,569</u>               | <u>400,000</u>             | <u>200,000</u>                 |
|  | <u>42,106,429</u>          | <u>40,370,043</u>              | <u>2,240,944</u>           | <u>1,832,213</u>               |

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

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans (Continued)****(b) Details of long-term loans are as follows:****The Group**

| Interest rates and periods          |   | 30 June 2009                 |   | 31 December 2008             |   |
|-------------------------------------|---|------------------------------|---|------------------------------|---|
|                                     |   | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 |
| <b>Long-term bank loans</b>         |   |                              |   |                              |   |
| Renminbi loans                      | Interest rates mainly ranging from 3.60% to 7.83% per annum as at 30 June 2009 (2008: 3.60% to 7.83%), with maturity up to 2028 |                              | 39,396,536                                  |                              | 39,475,525                                  |
| US dollars loans                    | Interest rates mainly ranging from 3.09% to 6.32% per annum as at 30 June 2009 (2008: 3.26% to 6.32%), with maturity up to 2017 | 106,242                      | 725,828                                     | 106,477                      | 727,723                                     |
| Euros loans                         | Interest rates mainly at 2.25% per annum as at 30 June 2009 (2008: 2.25%), with maturity up to 2022                             | 17,088                       | 164,725                                     | 17,766                       | 171,600                                     |
|                                     |   |                              | 40,287,089                                  |                              | 40,374,848                                  |
| <b>Shareholder loans (note (i))</b> |   |                              |   |                              |   |
| Renminbi loans                      | Interest rates mainly ranging from 4.15% to 7.30% per annum as at 30 June 2009 (2008: 4.15% to 7.30%), with maturity up to 2021 |                              | 2,085,145                                   |                              | 1,951,528                                   |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans (Continued)****(b) Details of long-term loans are as follows: (Continued)****The Group (Continued)**

| Interest rates and periods | 30 June 2009  |   | 31 December 2008             |   |
|----------------------------|---|---|------------------------------|---|
|                            | Original<br>currency<br>'000  | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 |
|                            | <b>State loans (note (ii))</b>  |   |                              |   |
| Renminbi loans             | Interest rates mainly ranging from 2.55% to 2.82% per annum as at 30 June 2009 (2008: 2.55% to 2.82%), with maturity up to 2020 |   | 21,000                       | 21,000                                      |
| US dollars loans           | Interest rates mainly at 2.49% per annum as at 30 June 2009 (2008: 3.26%), with maturity up to 2012                             |   | 5,023                        | 34,314                                      |
|                            |   |   | 5,754                        | 39,327                                      |
|                            |   | 55,314                                      |                              | 60,327                                      |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans (Continued)****(b) Details of long-term loans are as follows: (Continued)****The Group (Continued)**

| Interest rates and periods                          |   | 30 June 2009                 |   | 31 December 2008             |   |
|---|---|------------------------------|---|------------------------------|---|
|   |   | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 |
| <b>Other loans (note (iii))</b>                     |   |                              |   |                              |   |
| Renminbi loans                                      | Interest rates mainly ranging from 4.86% to 6.97% per annum as at 30 June 2009 (2008: 4.86% to 7.56%), with maturity up to 2025 |                              | 3,312,705                                   |                              | 2,637,116                                   |
| US dollars loans                                    | Interest rates mainly at 3.80% per annum as at 30 June 2009 (2008: 5.31%), with maturity up to 2010                             | 2,309                        | 15,773                                      | 3,463                        | 23,665                                      |
|   |   |                              | <u>3,328,478</u>                            |                              | <u>2,660,781</u>                            |
|   |   |                              | 45,756,026                                  |                              | 45,047,484                                  |
| Less: Long-term loans due within one year (note 27) |   |                              | <u>(3,649,597)</u>                          |                              | <u>(4,677,441)</u>                          |
|   |   |                              | <u>42,106,429</u>                           |                              | <u>40,370,043</u>                           |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans (Continued)****(b) Details of long-term loans are as follows: (Continued)****The Company**

| Interest rates and periods          |   | 30 June 2009                 |   | 31 December 2008             |   |
|-------------------------------------|---|------------------------------|---|------------------------------|---|
|                                     |   | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 |
| <b>Long-term bank loans</b>         |   |                              |   |                              |   |
| Renminbi loans                      | Interest rates mainly at 4.86% per annum as at 30 June 2009 (2008: 4.86% to 6.80%), with maturity up to 2012                    |                              | 970,000                                     |                              | 1,090,000                                   |
| US dollars loans                    | Interest rates mainly ranging from 3.09% to 3.29% per annum as at 30 June 2009 (2008: 3.26% to 3.99%), with maturity up to 2011 | 100,000                      | 683,190                                     | 100,000                      | 683,460                                     |
|                                     |   |                              | 1,653,190                                   |                              | 1,773,460                                   |
| <b>Shareholder loans (note (i))</b> |   |                              |   |                              |   |
| Renminbi loans                      | Interest rates mainly ranging from 5.35% to 5.94% per annum as at 30 June 2009 (2008: 5.35% to 5.94%), with maturity up to 2013 |                              | 622,821                                     |                              | 621,878                                     |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans (Continued)****(b) Details of long-term loans are as follows: (Continued)****The Company (Continued)**

| Interest rates and periods                          |  | 30 June 2009                 |   | 31 December 2008             |   |
|---|--|------------------------------|---|------------------------------|---|
|   |  | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 | Original<br>currency<br>'000 | Renminbi/<br>Renminbi<br>equivalent<br>'000 |
| <b>State loans (note (ii))</b>                      |  |                              |   |                              |   |
| Renminbi loans                                      | Interest rates mainly at 2.55% per annum as at 30 June 2009 (2008: 2.55%), with maturity up to 2020                    |                              | 11,200                                      |                              | 11,200                                      |
| US dollars loans                                    | Interest rates mainly at 2.49% per annum as at 30 June 2009 (2008: 3.26%), with maturity up to 2012                    | 5,023                        | 34,314                                      | 5,754                        | 39,327                                      |
|   |  |                              | 45,514                                      |                              | 50,527                                      |
| <b>Other loans (note (iii))</b>                     |  |                              |   |                              |   |
| Renminbi loans                                      | Interest rates mainly ranging from 4.86% to 5.18% per annum as at 30 June 2009 (2008: 4.86%), with maturity up to 2012 |                              | 400,000                                     |                              | 200,000                                     |
|   |  |                              | 2,721,525                                   |                              | 2,645,865                                   |
| Less: Long-term loans due within one year (note 27) |  |                              | (480,581)                                   |                              | (813,652)                                   |
|   |  |                              | <u>2,240,944</u>                            |                              | <u>1,832,213</u>                            |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans (Continued)****(b) Details of long-term loans are as follows: (Continued)**

Notes:

**(i) Shareholder loans**

Balance of shareholder loans is analysed as follows:

|   | The Group                  |                                | The Company                |                                |
|---|----------------------------|--------------------------------|----------------------------|--------------------------------|
|   | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Shandong International<br>Trust and Investment<br>Corporation<br>("SITC") | 820,603                    | 820,603                        | 585,000                    | 585,000                        |
| China Huadian   | 1,264,542                  | 1,130,925                      | 37,821                     | 36,878                         |
|   | <b>2,085,145</b>           | <b>1,951,528</b>               | <b>622,821</b>             | <b>621,878</b>                 |

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 cost of financing, at 4.15% - 5.40% (2008: 4.15% - 5.40%).



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

**28 Long-term loans (Continued)**

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

Notes: (Continued)

**(ii) State loans**

*The state loans mainly represents an US dollar state loan amounting to US\$5.02 million (31 December 2008: US\$5.75 million), which is guaranteed by Shandong Electric Power (Group) Corporation (“SEPCO”) and bears a floating interest rate of 2.49% per annum (2008: 3.26%), with maturity up to 2012, and Renminbi loans amounting to RMB21.00 million, which are unsecured and bear fixed interest rates ranging from 2.55% to 2.82% per annum (2008: 2.55% to 2.82%), 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 million was made available by the Shandong 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.*

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 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:*

|                      | <u>The Group</u>                    |   | <u>The Company</u>                  |   |
|----------------------|-------------------------------------|---|-------------------------------------|---|
|                      | <b>30 June<br/>2009<br/>RMB'000</b> | <i>31 December<br/>2008<br/>RMB'000</i> | <b>30 June<br/>2009<br/>RMB'000</b> | <i>31 December<br/>2008<br/>RMB'000</i> |
| <i>China Huadian</i> |                                     |   |                                     |   |
| <i>Finance</i>       | <b>2,748,285</b>                    | <i>2,588,695</i>                        | <b>400,000</b>                      | <i>200,000</i>                          |
| <i>Others</i>        | <b>580,193</b>                      | <i>72,086</i>                           | <b>—</b>                            | <i>—</i>                                |
|                      | <b><u>3,328,478</u></b>             | <i><u>2,660,781</u></i>                 | <b><u>400,000</u></b>               | <i><u>200,000</u></i>                   |

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

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 Long-term loans (Continued)**(c) **Guarantee and security of long-term loans are analysed as follows:**

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Unsecured loans                              | 30,696,506                 | 30,223,276                     | 2,687,211                  | 2,606,538                      |
| Loans guaranteed by SEPCO                    | 34,314                     | 39,327                         | 34,314                     | 39,327                         |
| Loans guaranteed by<br>China Huadian         | 344,726                    | 351,601                        | —                          | —                              |
| Loans guaranteed by<br>third parties         | 251,280                    | 441,080                        | —                          | —                              |
| Secured loans                                | 14,429,200                 | 13,992,200                     | —                          | —                              |
|  | 45,756,026                 | 45,047,484                     | 2,721,525                  | 2,645,865                      |
| Less: Long-term loans due<br>within one year | (3,649,597)                | (4,677,441)                    | (480,581)                  | (813,652)                      |
|  | 42,106,429                 | 40,370,043                     | 2,240,944                  | 1,832,213                      |

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

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****28 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 30 June), is set out below:

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| — Between one and two years<br>(including two years)   | 8,593,377                  | 7,750,009                      | 1,210,454                  | 739,890                        |
| — Between two and five years<br>(including five years) | 17,582,799                 | 15,721,119                     | 1,128,084                  | 978,475                        |
| — Over five years                                      | 29,758,371                 | 27,695,368                     | 9,012                      | 258,075                        |
| Total of contractual<br>undiscounted cash flows        | 55,934,547                 | 51,166,496                     | 2,347,550                  | 1,976,440                      |
| Carrying amount  | 42,106,429                 | 40,370,043                     | 2,240,944                  | 1,832,213                      |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****29 Medium-term notes**

|                                  | Opening<br>balance<br><i>RMB'000</i> | Addition for<br>the period<br><i>RMB'000</i> | Decrease for<br>the period<br><i>RMB'000</i> | Closing<br>balance<br><i>RMB'000</i> |
|----------------------------------|--------------------------------------|--|--|--------------------------------------|
| <b>The Group and the Company</b> |                                      |  |  |                                      |
| Medium-term notes                | —                                    | 2,966,489                                    | —  | 2,966,489                            |

Details of medium-term notes are analysed as follows:

|   | Periods and<br>interest<br>rates  | Date of<br>issuance | Total face<br>amount<br><i>RMB'000</i> | Discount<br><i>RMB'000</i> | Amortisation<br><i>RMB'000</i> | Closing<br>balance<br><i>RMB'000</i> |
|---|---|---------------------|--|----------------------------|--------------------------------|--------------------------------------|
| <b>The Group and the Company</b>                    |   |                     |  |                            |                                |                                      |
| The first tranche of<br>2009 medium-term<br>notes   | From 18 March<br>2009 to 18<br>March 2012,<br>effective annual<br>interest rate<br>of 3.71% | 17 March<br>2009    | 1,500,000                              | (13,500)                   | 1,293                          | 1,487,793                            |
| The second tranche<br>of 2009 medium-<br>term notes | From 26 March<br>2009 to 26<br>March 2014,<br>effective annual<br>interest rate<br>of 4.33% | 25 March<br>2009    | 1,500,000                              | (22,500)                   | 1,196                          | 1,478,696                            |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****29 Medium-term notes (Continued)**

The maturity analysis of the Group's and the Company's medium-term notes, which are based on contractual undiscounted cash flows (including interests computed using contractual rates or, if floating, based on current rates at 30 June), is set out below:

|  | The Group                  |                                | The Company                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| — Between one and two years<br>(including two years)   | 110,100                    | —                              | 110,100                    | —                              |
| — Between two and five years<br>(including five years) | 3,198,831                  | —                              | 3,198,831                  | —                              |
| — Over five years                                      | —                          | —                              | —                          | —                              |
| Total of contractual<br>undiscounted cash flows        | <u>3,308,931</u>           | <u>—</u>                       | <u>3,308,931</u>           | <u>—</u>                       |
| Carrying amount  | <u>2,966,489</u>           | <u>—</u>                       | <u>2,966,489</u>           | <u>—</u>                       |

The Company issued the first and second tranches of 2009 medium-term notes on 17 March 2009 and 25 March 2009 after approval was obtained in the second temporary Shareholders' Meeting. Both of the two tranches of medium-term notes were issued with an issuance size of RMB1.5 billion, par value of RMB100 each. They bear annual interest rate of 3.38% and 3.96% with terms of 3 years and 5 years respectively.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****30 Share capital**

The Company's share capital structure as at 30 June 2009 is as follows:

|   | <b>30 June<br/>2009<br/>RMB'000</b> | 31 December<br>2008<br>RMB'000 |
|---|-------------------------------------|--------------------------------|
| (1) Shares with restriction on disposals    |                                     |                                |
| — A shares                                  | <b>3,148,103</b>                    | 3,148,103                      |
| (2) Shares without restriction on disposals |                                     |                                |
| — A shares                                  | <b>1,441,953</b>                    | 1,441,953                      |
| — H shares                                  | <b>1,431,028</b>                    | 1,431,028                      |
| Total                                       | <b><u>6,021,084</u></b>             | <b><u>6,021,084</u></b>        |

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

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to further issue 765,000,000 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 on 1 August 2006, all domestic shares became eligible for listing and circulation on the Shanghai Stock Exchange. The 3,148,103,094 original domestic shares held by the original domestic shareholders are circulated on 6 August 2009. Details of the Share Reform are set out in note 1.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****30 Share capital (Continued)**

The paid up share capital included RMB3,825,056,200 paid up original domestic share capital which has been verified by Shandong Jining Public Accounting Firm on 18 June 1994 and capital verification report has been issued. The capital verification report was Kuai Shi (Zou) Yan Zi No. 102. The paid up H 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 569,000,000 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<br>premium<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
| At 1 January 2008  | 1,852,532                   | 1,346,758         | 3,199,290        |
| Addition for the period  | —                           | 69,820            | 69,820           |
| Adjustment on capital reserve<br>of business combination<br>involving entities under<br>common control | (1,765,317)                 | —                 | (1,765,317)      |
| At 31 December 2008<br>and 1 January 2009  | 87,215                      | 1,416,578         | 1,503,793        |
| Addition for the period  | —                           | 54,928            | 54,928           |
| Decrease for the period  | —                           | (11,602)          | (11,602)         |
| At 30 June 2009  | <u>87,215</u>               | <u>1,459,904</u>  | <u>1,547,119</u> |



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****31 Capital reserve and surplus reserve (Continued)****(1) Capital reserve (Continued)**

|  | The Company                 |                   |                  |
|--|-----------------------------|-------------------|------------------|
|  | Share<br>premium<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
| At 1 January 2008  | 1,846,578                   | 101,424           | 1,948,002        |
| Addition for the period  | —                           | (4,105)           | (4,105)          |
| Adjustment on capital reserve<br>of business combination<br>involving entities under<br>common control | (454,401)                   | —                 | (454,401)        |
| At 31 December 2008 and<br>1 January 2009  | 1,392,177                   | 97,319            | 1,489,496        |
| Addition for the period  | —                           | 11,703            | 11,703           |
| At 30 June 2009  | <u>1,392,177</u>            | <u>109,022</u>    | <u>1,501,199</u> |

Share premium mainly 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.

**(2) The movement of surplus reserve is as follows:**

|   | The Group and the Company                  |  |                  |
|---|--|--|------------------|
|   | Statutory<br>surplus<br>reserve<br>RMB'000 | Discretionary<br>surplus<br>reserve<br>RMB'000 | Total<br>RMB'000 |
| At 1 January 2008,<br>31 December 2008 and<br>at 30 June 2009 | <u>1,404,520</u>                           | <u>68,089</u>                                  | <u>1,472,609</u> |

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

**32 Appropriation of profits and retained earnings at the end of the period**

- (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 six months period ended 30 June 2009, the Company do not make any appropriation to statutory surplus reserve and discretionary surplus reserve.
- (4) Dividends of ordinary shares declared during the period

Pursuant to the shareholders' approval at the Shareholders' Meeting on 2 June 2009, no cash dividend was paid to the Company's ordinary shareholders (2008: RMB0.062 per share, totalling RMB373,307,000).

- (5) Retained earnings at the end of the period

As at 30 June 2009, the consolidated retained earnings attributable to the Company did not include any surplus reserve made by the subsidiaries for the period (31 December 2008: RMB15,647,000).

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.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****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              |                        |
|---|--------------------------|------------------------|--------------------------|------------------------|
|   | Six months ended 30 June |                        | Six months ended 30 June |                        |
|   | 2009<br><i>RMB'000</i>   | 2008<br><i>RMB'000</i> | 2009<br><i>RMB'000</i>   | 2008<br><i>RMB'000</i> |
| Revenue from principal activities       |                          |                        |                          |                        |
| — Revenue from sales of electricity     | <b>16,563,803</b>        | 15,041,429             | <b>3,283,021</b>         | 4,187,192              |
| — Revenue from sales of heat            | <b>623,117</b>           | 453,693                | <b>5,063</b>             | 3,992                  |
| Sub-total                               | <b>17,186,920</b>        | 15,495,122             | <b>3,288,084</b>         | 4,191,184              |
| Revenue from other operating activities | <b>101,385</b>           | 62,234                 | <b>31,318</b>            | 20,373                 |
| Total                                   | <b>17,288,305</b>        | 15,557,356             | <b>3,319,402</b>         | 4,211,557              |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****33 Operating income (Continued)**

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

|             | Six months ended 30 June |   |                          |   |
|-------------|--------------------------|---|--------------------------|---|
|             | 2009                     |   | 2008                     |   |
|             | Total revenue<br>RMB'000 | Percentage over revenue from principal activities | Total revenue<br>RMB'000 | Percentage over revenue from principal activities |
| The Group   | 14,405,972               | 83.82%  | 13,875,685               | 89.55%  |
| The Company | <u>3,288,084</u>         | <u>100.00%</u>                                    | <u>4,191,184</u>         | <u>100.00%</u>                                    |

**34 Operating costs**

|                                    | The Group                |                   | The Company              |                  |
|------------------------------------|--------------------------|-------------------|--------------------------|------------------|
|                                    | Six months ended 30 June |                   | Six months ended 30 June |                  |
|                                    | 2009<br>RMB'000          | 2008<br>RMB'000   | 2009<br>RMB'000          | 2008<br>RMB'000  |
| Cost of principal activities       |                          |                   |                          |                  |
| — Cost of sale of electricity      | 13,690,356               | 14,036,960        | 2,884,002                | 4,022,128        |
| — Cost of sale of heat             | <u>581,000</u>           | 526,158           | <u>3,694</u>             | 4,767            |
| Sub-total                          | 14,271,356               | 14,563,118        | 2,887,696                | 4,026,895        |
| Cost of other operating activities | <u>57,636</u>            | 38,277            | <u>9,151</u>             | 16,591           |
| Total                              | <u>14,328,992</u>        | <u>14,601,395</u> | <u>2,896,847</u>         | <u>4,043,486</u> |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****35 Sales taxes and surcharges**

|                                       | Basis            | The Group                |                 | The Company              |                 |
|---------------------------------------|------------------|--------------------------|-----------------|--------------------------|-----------------|
|                                       |                  | Six months ended 30 June |                 | Six months ended 30 June |                 |
|                                       |                  | 2009<br>RMB'000          | 2008<br>RMB'000 | 2009<br>RMB'000          | 2008<br>RMB'000 |
| City maintenance and construction tax | 1-7% of VAT paid | 92,933                   | 81,037          | 19,770                   | 22,613          |
| Education surcharge                   | 3-5% of VAT paid | 58,350                   | 49,661          | 11,341                   | 12,924          |
|                                       |                  | <u>151,283</u>           | <u>130,698</u>  | <u>31,111</u>            | <u>35,537</u>   |

**36 Finance expenses**

|                             | The Group                |                  | The Company              |                 |
|-----------------------------|--------------------------|------------------|--------------------------|-----------------|
|                             | Six months ended 30 June |                  | Six months ended 30 June |                 |
|                             | 2009<br>RMB'000          | 2008<br>RMB'000  | 2009<br>RMB'000          | 2008<br>RMB'000 |
| Interest incurred           | 1,809,797                | 1,577,866        | 306,523                  | 297,935         |
| Less: Interest capitalised  | (298,555)                | (211,435)        | (36,578)                 | (33,723)        |
| Net interest expenses       | 1,511,242                | 1,366,431        | 269,945                  | 264,212         |
| Interest income on deposits | (11,043)                 | (12,642)         | (2,560)                  | (4,905)         |
| Net exchange gain           | (681)                    | (86,834)         | (417)                    | (83,203)        |
| Other finance expenses      | 9,331                    | 10,297           | 6,263                    | 7,523           |
| Total                       | <u>1,508,849</u>         | <u>1,277,252</u> | <u>273,231</u>           | <u>183,627</u>  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****37 Investment income**

|   | <b>The Group</b>                |                | <b>The Company</b>              |                |
|---|---------------------------------|----------------|---------------------------------|----------------|
|   | <b>Six months ended 30 June</b> |                | <b>Six months ended 30 June</b> |                |
|   | <b>2009</b>                     | 2008           | <b>2009</b>                     | 2008           |
|   | <i>RMB'000</i>                  | <i>RMB'000</i> | <i>RMB'000</i>                  | <i>RMB'000</i> |
| Long-term equity investment income      |                                 |                |                                 |                |
| — Accounted for under the cost method   | <b>12,259</b>                   | 20,606         | <b>128,120</b>                  | 90,378         |
| — Accounted for under the equity method | <b>115,168</b>                  | 23,610         | <b>33,617</b>                   | 20,513         |
| <b>Total</b>                            | <b>127,427</b>                  | 44,216         | <b>161,737</b>                  | 110,891        |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****37 Investment income (Continued)**

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

|                           | Six months ended 30 June |                 | Reason for movement  |
|---------------------------|--------------------------|-----------------|--|
|                           | 2009<br>RMB'000          | 2008<br>RMB'000 |  |
| Jointly controlled entity |                          |                 |  |
| — Zhongning Company       | 1,927                    | 21,046          | Profit or loss from normal operations  |
| Associates                |                          |                 |  |
| — Ningxia Power Company   | (3,795)                  | 22,030          | Profit or loss from normal operations  |
| — Chizhou Company         | (28,099)                 | (26,956)        | Profit or loss from normal operations  |
| — Luzhou Company          | 9,001                    | (44,318)        | Profit or loss from normal operations  |
| — Huadian Coal            | 31,579                   | 33,574          | Profit or loss from normal operations  |
| — China Huadian Finance   | 30,017                   | 20,743          | Profit or loss from normal operations  |
| — Hengshui Hengxing       | 23,190                   | —               | Profit or loss from normal operations  |
| — Xingtai Guotai          | 19,966                   | —               | Profit or loss from normal operations  |
| — Hebei Xibaipo           | 14,789                   | —               | Profit or loss from normal operations  |
| — Dongsheng Company       | 3,287                    | —               | Profit or loss from normal operations  |
| — Huaian Company          | 9,719                    | —               | Profit or loss from normal operations  |
| — Other associates        | 3,587                    | (2,509)         | Profit or loss from normal operations  |
| Other enterprises         | 12,259                   | 20,606          | Under cost method, investment income is recognised when dividend is declared by investees. |
| Total                     | <u>127,427</u>           | <u>44,216</u>   |  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****37 Investment income (Continued)**

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

|                           | Six months ended 30 June |                 | Reason for movement   |
|---------------------------|--------------------------|-----------------|---|
|                           | 2009<br>RMB'000          | 2008<br>RMB'000 |   |
| Subsidiaries              |                          |                 |   |
| — Weifang Company         | —                        | 27,000          | Under cost method, investment income is recognised when dividend is declared by subsidiary. |
| — Qingdao Company         | —                        | 12,320          | Under cost method, investment income is recognised when dividend is declared by subsidiary. |
| — Zhangqiu Company        | —                        | 20,792          | Under cost method, investment income is recognised when dividend is declared by subsidiary. |
| — Material Company        | 17,993                   | 11,966          | Under cost method, investment income is recognised when dividend is declared by subsidiary. |
| — Lingwu Company          | 95,917                   | —               | Under cost method, investment income is recognised when dividend is declared by subsidiary. |
| — Laizhou Company         | 1,940                    | —               | Under cost method, investment income is recognised when dividend is declared by subsidiary. |
| Jointly controlled entity |                          |                 |   |
| — Zhongning Company       | 1,927                    | 21,046          | Profit or loss from normal operations   |



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****37 Investment income (Continued)**

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

|                         | Six months ended 30 June |                 | Reason for movement  |
|-------------------------|--------------------------|-----------------|--|
|                         | 2009<br>RMB'000          | 2008<br>RMB'000 |  |
| Associates              |                          |                 |  |
| — Ningxia Power Company | (3,795)                  | 22,030          | Profit or loss from normal operations  |
| — Chizhou Company       | (28,099)                 | (26,956)        | Profit or loss from normal operations  |
| — Luzhou Company        | 9,001                    | (44,318)        | Profit or loss from normal operations  |
| — Zoucheng Lunan        | (126)                    | 2               | Profit or loss from normal operations  |
| — Huadian Coal          | 29,696                   | 31,544          | Profit or loss from normal operations  |
| — China Huadian Finance | 24,362                   | 18,743          | Profit or loss from normal operations  |
| — Huadian New Energy    | 1,791                    | (1,578)         | Profit or loss from normal operations  |
| — Huadian Property      | (1,140)                  | —               | Profit or loss from normal operations  |
| Other enterprises       | 12,270                   | 18,300          | Under cost method, investment income is recognised when dividend is declared by investees. |
| Total                   | <u>161,737</u>           | <u>110,891</u>  |  |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****38 Non-operating income**

|                                    | The Group                |                | The Company              |                |
|------------------------------------|--------------------------|----------------|--------------------------|----------------|
|                                    | Six months ended 30 June |                | Six months ended 30 June |                |
|                                    | 2009                     | 2008           | 2009                     | 2008           |
|                                    | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i>           | <i>RMB'000</i> |
| Gains on disposals of fixed assets | 464                      | 75,260         | —                        | 47,272         |
| Government grants                  | 20,800                   | 19,563         | 21                       | —              |
| Others                             | 4,848                    | 1,341          | 2                        | 12             |
| Total                              | <u>26,112</u>            | <u>96,164</u>  | <u>23</u>                | <u>47,284</u>  |

**39 Non-operating expenses**

|                                     | The Group                |                | The Company              |                |
|-------------------------------------|--------------------------|----------------|--------------------------|----------------|
|                                     | Six months ended 30 June |                | Six months ended 30 June |                |
|                                     | 2009                     | 2008           | 2009                     | 2008           |
|                                     | <i>RMB'000</i>           | <i>RMB'000</i> | <i>RMB'000</i>           | <i>RMB'000</i> |
| Losses on disposals of fixed assets | —                        | 101            | —                        | —              |
| Donations                           | 2                        | 5,233          | —                        | 600            |
| Others                              | 3,869                    | 1,820          | 166                      | 314            |
| Total                               | <u>3,871</u>             | <u>7,154</u>   | <u>166</u>               | <u>914</u>     |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****40 Income tax****(1) Income tax for the period represents:**

|  | The Group                |                  | The Company              |                 |
|--|--------------------------|------------------|--------------------------|-----------------|
|  | Six months ended 30 June |                  | Six months ended 30 June |                 |
|  | 2009                     | 2008             | 2009                     | 2008            |
|  | RMB'000                  | RMB'000          | RMB'000                  | RMB'000         |
| Income tax for the period  | 36,993                   | 12,976           | —                        | —               |
| Under/(over)-provision for income tax in respect of preceding period | 2,546                    | (25,558)         | —                        | (26,109)        |
| Deferred taxation  | 138,486                  | (206,704)        | —                        | (21,595)        |
|  | <u>178,025</u>           | <u>(219,286)</u> | <u>—</u>                 | <u>(47,704)</u> |

**(2) The analysis of deferred taxation is set out below:**

|  | The Group                |                  | The Company              |                 |
|--|--------------------------|------------------|--------------------------|-----------------|
|  | Six months ended 30 June |                  | Six months ended 30 June |                 |
|  | 2009                     | 2008             | 2009                     | 2008            |
|  | RMB'000                  | RMB'000          | RMB'000                  | RMB'000         |
| Origination and reversal of temporary differences              | 138,486                  | (226,481)        | —                        | (41,372)        |
| Under-provision of deferred tax in respect of preceding period | —                        | 19,777           | —                        | 19,777          |
|  | <u>138,486</u>           | <u>(206,704)</u> | <u>—</u>                 | <u>(21,595)</u> |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****40 Income tax (Continued)****(3) Reconciliation between income tax and accounting profits is as follows:**

|  | The Group                |                  | The Company              |                 |
|--|--------------------------|------------------|--------------------------|-----------------|
|  | Six months ended 30 June |                  | Six months ended 30 June |                 |
|  | 2009                     | 2008             | 2009                     | 2008            |
|  | <i>RMB'000</i>           | <i>RMB'000</i>   | <i>RMB'000</i>           | <i>RMB'000</i>  |
| Profit /(loss) before taxation   | <b>898,579</b>           | <b>(776,792)</b> | <b>115,894</b>           | <b>(54,654)</b> |
| Expected income tax expense at a tax rate of 25%                       | <b>224,645</b>           | (194,198)        | <b>28,974</b>            | (13,664)        |
| Non-deductible expenses  | <b>8,005</b>             | 2,380            | <b>40</b>                | 40              |
| Non-taxable income   | <b>(85,906)</b>          | (11,115)         | <b>(41,153)</b>          | (27,748)        |
| Effect of preferential tax rates of subsidiaries on income tax expense | <b>(13,626)</b>          | (10,572)         | —                        | —               |
| Under /(over)-provision for income tax in respect of preceding period  | <b>2,546</b>             | (5,781)          | —                        | (6,332)         |
| Temporary difference not recognised as deferred tax assets             | <b>42,361</b>            | —                | <b>12,139</b>            | —               |
|  | <b>178,025</b>           | <b>(219,286)</b> | <b>—</b>                 | <b>(47,704)</b> |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****41 Other comprehensive income****(a) Items of other comprehensive income and corresponding tax effect**

|  | The Group                       |                            |                                |                                 |                            |                                |
|--|---------------------------------|----------------------------|--------------------------------|---------------------------------|----------------------------|--------------------------------|
|  | Six months ended 30 June        |                            |                                |                                 |                            |                                |
|  | 2009                            |                            |                                | 2008                            |                            |                                |
|  | Amount<br>before tax<br>RMB'000 | Tax<br>expenses<br>RMB'000 | Amount<br>after tax<br>RMB'000 | Amount<br>before tax<br>RMB'000 | Tax<br>expenses<br>RMB'000 | Amount<br>after tax<br>RMB'000 |
| Capital contribution<br>by the State                               | —                               | —                          | —                              | 1,531                           | —                          | 1,531                          |
| Changes in fair value<br>of available-for-sale<br>financial assets | 41,041                          | (6,655)                    | 34,386                         | (7,137)                         | —                          | (7,137)                        |
|  | <u>41,041</u>                   | <u>(6,655)</u>             | <u>34,386</u>                  | <u>(5,606)</u>                  | <u>—</u>                   | <u>(5,606)</u>                 |

|  | The Company                     |                            |                                |                                 |                            |                                |
|--|---------------------------------|----------------------------|--------------------------------|---------------------------------|----------------------------|--------------------------------|
|  | Six months ended 30 June        |                            |                                |                                 |                            |                                |
|  | 2009                            |                            |                                | 2008                            |                            |                                |
|  | Amount<br>before tax<br>RMB'000 | Tax<br>expenses<br>RMB'000 | Amount<br>after tax<br>RMB'000 | Amount<br>before tax<br>RMB'000 | Tax<br>expenses<br>RMB'000 | Amount<br>after tax<br>RMB'000 |
| Changes in fair value<br>of available-for-sale<br>financial assets | 11,703                          | —                          | 11,703                         | (5,905)                         | —                          | (5,905)                        |
|  | <u>11,703</u>                   | <u>—</u>                   | <u>11,703</u>                  | <u>(5,905)</u>                  | <u>—</u>                   | <u>(5,905)</u>                 |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****41 Other comprehensive income (Continued)**

- (b) **Reclassification adjustments for amounts, of which originally included in other comprehensive income, transferred to profit or loss:**

|  | <b>The Group</b>                    |                |
|--|-------------------------------------|----------------|
|  | <b>Six months<br/>ended 30 June</b> |                |
|  | <b>2009</b>                         | <b>2008</b>    |
|  | <b>RMB'000</b>                      | <b>RMB'000</b> |
| Changes in fair value of<br>available-for-sale<br>financial assets | 600                                 | (1,597)        |
|  | <b>600</b>                          | <b>(1,597)</b> |

|  | <b>The Company</b>                  |                |
|--|-------------------------------------|----------------|
|  | <b>Six months<br/>ended 30 June</b> |                |
|  | <b>2009</b>                         | <b>2008</b>    |
|  | <b>RMB'000</b>                      | <b>RMB'000</b> |
| Changes in fair value of<br>available-for-sale<br>financial assets | 487                                 | (1,322)        |
|  | <b>487</b>                          | <b>(1,322)</b> |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****42 Supplementary information to the cash flow statement****(1) Reconciliation of net profit/ (loss) to cash flows from operating activities:**

|   | The Group                |                  | The Company              |                  |
|---|--------------------------|------------------|--------------------------|------------------|
|   | Six months ended 30 June |                  | Six months ended 30 June |                  |
|   | 2009<br>RMB'000          | 2008<br>RMB'000  | 2009<br>RMB'000          | 2008<br>RMB'000  |
| Net profit /(loss)  | <b>546,244</b>           | (491,955)        | <b>115,894</b>           | (6,950)          |
| Add: Depreciation of fixed assets                                   | <b>2,006,310</b>         | 1,872,319        | <b>427,239</b>           | 500,350          |
| Amortisation of intangible assets                                   | <b>18,373</b>            | 16,640           | <b>7,755</b>             | 6,515            |
| Write off of impairment losses on trade receivables and inventories | —                        | (1,064)          | —                        | —                |
| Finance expenses  | <b>1,508,849</b>         | 1,277,252        | <b>273,231</b>           | 183,627          |
| Investment income   | <b>(127,427)</b>         | (44,216)         | <b>(161,737)</b>         | (110,891)        |
| Gains on disposals of fixed assets                                  | <b>(464)</b>             | (75,159)         | —                        | (47,272)         |
| Decrease / (increase) in deferred tax assets                        | <b>65,817</b>            | (297,158)        | —                        | (57,350)         |
| Increase in deferred tax liabilities                                | <b>72,669</b>            | 90,563           | —                        | 35,755           |
| Decrease / (increase) in inventories                                | <b>289,231</b>           | (526,140)        | <b>74,532</b>            | (193,433)        |
| Increase in operating receivables                                   | <b>(1,758,612)</b>       | (774,683)        | <b>(487,911)</b>         | (983,953)        |
| Increase/ (decrease) in operating payables                          | <b>922,216</b>           | 578,449          | <b>(66,591)</b>          | 181,274          |
| Minority interests  | <b>174,310</b>           | (65,551)         | —                        | —                |
| Net cash flow from operating activities                             | <b><u>3,717,516</u></b>  | <u>1,559,297</u> | <b><u>182,412</u></b>    | <u>(492,328)</u> |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****42 Supplementary information 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              |                 |
|--|--------------------------|-----------------|--------------------------|-----------------|
|  | Six months ended 30 June |                 | Six months ended 30 June |                 |
|  | 2009<br>RMB'000          | 2008<br>RMB'000 | 2009<br>RMB'000          | 2008<br>RMB'000 |
| (a) Cash and cash equivalents  |                          |                 |                          |                 |
| — Cash on hand   | 1,865                    | 1,869           | 973                      | 863             |
| — Bank deposits available on demand                                  | 1,981,921                | 3,272,018       | 669,077                  | 1,119,920       |
| — Other monetary fund available on demand                            | 1,131                    | 2,612           | 534                      | 809             |
| — Cash with restricted usage   | 2,297                    | 28,214          | —                        | —               |
| (b) Closing balance of cash and cash equivalent                      | 1,987,214                | 3,304,713       | 670,584                  | 1,121,592       |
| Less: cash with restricted usage                                     | (2,297)                  | (28,214)        | —                        | —               |
| (c) Closing balance of cash and cash equivalents available on demand | 1,984,917                | 3,276,499       | 670,584                  | 1,121,592       |



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****42 Supplementary information to the cash flow statement (Continued)****(3) Information related to the subsidiaries acquired during the period:**

|  | <b>The Group</b><br><i>RMB'000</i> |
|--|------------------------------------|
| Consideration for acquisition of subsidiaries during the period                                | 1,527,953                          |
| Cash and cash equivalents paid for acquisition of subsidiaries during the period               | 904,950                            |
| Add: Cash and cash equivalents paid for acquisition of subsidiaries during the previous period | 833,263                            |
| Less: Cash and cash equivalents held by subsidiaries   | <u>(195,286)</u>                   |
| Net cash paid for the acquisition of subsidiaries  | <u><u>1,542,927</u></u>            |

Please see notes 6(2) and (3) for the non-monetary assets and liabilities of the acquired subsidiaries.

**43 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 financial instruments. These risks are managed by the Group's financial management policies and practices described below:

**(1) Interest rate risks**

The interest rates and terms of repayment of the outstanding loans of the Group and the Company are disclosed in notes 22, 27, 28 and 29.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****43 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments (Continued)****(1) Interest rate risks (Continued)**

The Group and the Company held the following interest-bearing financial instruments at 30 June 2009:

|                                     | The Group                  |                                | The Company                |                                |
|-------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                                     | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Fixed rate financial instruments    |                            |                                |                            |                                |
| Financial liabilities               |                            |                                |                            |                                |
| — Short-term loans                  | (7,558,471)                | (6,540,650)                    | (1,338,931)                | (1,981,200)                    |
| — Long-term loans                   | (1,317,268)                | (1,177,526)                    | (49,021)                   | (48,078)                       |
| — Short-term debenture payables     | —                          | (2,605,798)                    | —                          | (2,605,798)                    |
| — Medium-term notes                 | (2,966,489)                | —                              | (2,966,489)                | —                              |
|                                     | <u>(11,842,228)</u>        | <u>(10,323,974)</u>            | <u>(4,354,441)</u>         | <u>(4,635,076)</u>             |
| Floating rate financial instruments |                            |                                |                            |                                |
| Financial assets                    |                            |                                |                            |                                |
| — Cash and cash equivalents         | 1,987,214                  | 1,874,096                      | 670,584                    | 780,288                        |
| Financial liabilities               |                            |                                |                            |                                |
| — Short-term loans                  | (9,745,177)                | (5,465,484)                    | (6,308,403)                | (3,286,484)                    |
| — Long-term loans                   | (44,438,758)               | (43,869,958)                   | (2,672,504)                | (2,597,787)                    |
|                                     | <u>(52,196,721)</u>        | <u>(47,461,346)</u>            | <u>(8,310,323)</u>         | <u>(5,103,983)</u>             |

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

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

**(1) Interest rate risks (Continued)**

**(b) Sensitivity analysis**

As at 30 June 2009, 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 net profit and shareholders' equity by approximately RMB396,913,000 (2008: RMB360,904,000); and the Company's net profit and shareholders' equity by approximately RMB63,193,000 (2008: RMB38,812,000).

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 risks for floating rate 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 2008.

**(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.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****43 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments (Continued)****(2) Credit risks (Continued)**

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:

|                                    | <b>Six months ended</b> |            |
|------------------------------------|-------------------------|------------|
|                                    | <b>30 June</b>          |            |
|                                    | <b>2009</b>             | 2008       |
|                                    | <b>RMB'000</b>          | RMB'000    |
| Sale of electricity to:            |                         |            |
| SEPCO                              | <b>9,429,157</b>        | 10,047,364 |
| Sichuan Electric Power Corporation | <b>1,637,452</b>        | 930,204    |
| Ningxia Electric Power Company     | <b>562,166</b>          | 823,436    |
| Henan Electric Power Company       | <b>827,834</b>          | 771,577    |
| East China Grid Company Limited    | <b>1,063,293</b>        | 854,963    |
| Zhejiang Electric Power Company    | <b>1,159,319</b>        | 1,219,718  |
| Anhui Electric Power Company       | <b>767,831</b>          | —          |
| Hebei Electric Power Company       | <b>1,116,751</b>        | 394,167    |

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

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

**(2) Credit risks (Continued)**

|                                       | <b>30 June<br/>2009<br/>RMB'000</b> | 31 December<br>2008<br>RMB'000 |
|---------------------------------------|-------------------------------------|--------------------------------|
| Receivables from sale of electricity: |                                     |                                |
| SEPCO                                 | <b>1,442,489</b>                    | 735,087                        |
| Sichuan Electric Power Corporation    | <b>395,112</b>                      | 441,103                        |
| Ningxia Electric Power Company        | <b>92,995</b>                       | 90,898                         |
| Henan Electric Power Company          | <b>234,061</b>                      | 194,122                        |
| East China Grid Company Limited       | <b>246,982</b>                      | 200,111                        |
| Zhejiang Electric Power Company       | <b>253,269</b>                      | 53,174                         |
| Anhui Electric Power Company          | <b>162,215</b>                      | 67,368                         |
| Hebei Electric Power Company          | <b>274,640</b>                      | 86,532                         |

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.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****43 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments (Continued)****(2) Credit risks (Continued)**

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                |                                |
|--|----------------------------|--------------------------------|----------------------------|--------------------------------|
|  | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Ageing   |                            |                                |                            |                                |
| Past due within 3 months<br>(including 3 months) | 59,372                     | 1,453                          | —                          | —                              |
| Past due 3-6 months<br>(including 6 months)      | 6,038                      | 1,708                          | —                          | —                              |
| Past due 6 months-1 year<br>(including 1 year)   | —                          | 518                            | —                          | —                              |
| Past due over 1 year                             | 1,202                      | 383                            | —                          | —                              |
|  | <b>66,612</b>              | <b>4,062</b>                   | <b>—</b>                   | <b>—</b>                       |

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.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****43 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments (Continued)****(3) Foreign currency risks**

- (a) The Group is exposed to foreign currency risks as certain loans are denominated in US dollars and Euros. Depreciation or appreciation of US dollars and Euros against the Renminbi will affect the Group's financial position and operating results.
- (b) The Group's and the Company's exposure as at 30 June 2009 to currency risks 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 equivalent, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded.

**The Group***Expressed in RMB'000*

|   | 30 June 2009       |                    | 31 December 2008   |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | Balances<br>in USD | Balances<br>in EUR | Balances<br>in USD | Balances<br>in EUR |
| Cash and cash equivalents                                   | 48                 | —                  | 48                 | —                  |
| Short-term loans  | (445,024)          | —                  | (445,200)          | —                  |
| Long-term loans   | (775,915)          | (164,725)          | (790,715)          | (171,600)          |
| Net exposure arising from recognised assets and liabilities | <u>(1,220,891)</u> | <u>(164,725)</u>   | <u>(1,235,867)</u> | <u>(171,600)</u>   |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****43 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments (Continued)****(3) Foreign currency risks (Continued)**

- (b) The Group's and the Company's exposure as at 30 June 2009 to currency risks 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 equivalent, translated using the spot rate at the balance sheet date. Differences resulting from the translation of the financial statements denominated in foreign currency are excluded. (Continued)

|   | <b>The Company</b>         |                            | <i>Expressed in RMB'000</i> |                            |
|---|----------------------------|----------------------------|-----------------------------|----------------------------|
|   | <b>30 June 2009</b>        |                            | <b>31 December 2008</b>     |                            |
|   | <b>Balances<br/>in USD</b> | <b>Balances<br/>in EUR</b> | <b>Balances<br/>in USD</b>  | <b>Balances<br/>in EUR</b> |
| Cash and cash equivalents                                   | 41                         | —                          | 41                          | —                          |
| Short-term loans  | (445,024)                  | —                          | (445,200)                   | —                          |
| Long-term loans   | (717,504)                  | —                          | (722,787)                   | —                          |
| Net exposure arising from recognised assets and liabilities | <u>(1,162,487)</u>         | <u>—</u>                   | <u>(1,167,946)</u>          | <u>—</u>                   |

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

|     | <b>Average rate</b>             |             | <b>Reporting date mid-spot rate</b> |                    |
|-----|---------------------------------|-------------|-------------------------------------|--------------------|
|     | <b>Six months ended 30 June</b> |             | <b>30 June</b>                      | <b>31 December</b> |
|     | <b>2009</b>                     | <b>2008</b> | <b>2009</b>                         | <b>2008</b>        |
| USD | 6.8327                          | 7.2319      | 6.8319                              | 6.8346             |
| EUR | 9.1063                          | 10.8130     | 9.6408                              | 9.6590             |



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****43 Risk analysis, sensitivity analysis, and determination of fair value for financial instruments (Continued)****(3) Foreign currency risks (Continued)****(d) Sensitivity analysis**

Assuming all other risk variables remained constant, a 10% (31 December 2008: 10%) strengthening of the Renminbi against the US dollars and Euros at 30 June 2009 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<br>RMB'000 | The Company<br>RMB'000 | The Group<br>RMB'000 | The Company<br>RMB'000 |
| As at 30 June 2009     |                      |                        |                      |                        |
| USD                    | 91,571               | 87,190                 | 91,571               | 87,190                 |
| EUR                    | 12,356               | —                      | 12,356               | —                      |
| Total                  | <u>103,927</u>       | <u>87,190</u>          | <u>103,927</u>       | <u>87,190</u>          |
| As at 31 December 2008 |                      |                        |                      |                        |
| USD                    | 92,694               | 87,599                 | 92,694               | 87,599                 |
| EUR                    | 12,870               | —                      | 12,870               | —                      |
| Total                  | <u>105,564</u>       | <u>87,599</u>          | <u>105,564</u>       | <u>87,599</u>          |

A 10% (31 December 2008: 10%) weakening of the Renminbi against the US dollar and Euros at 30 June 2009 would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

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

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

**(3) Foreign currency risks (Continued)**

**(d) Sensitivity analysis (Continued)**

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 and the Company which expose the Group and the Company to foreign currency risks at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements denominated in foreign currency. The analysis is performed on the same basis for 2008.

**(4) Liquidity risks**

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 28.

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

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

**(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 approximate their fair value due to the short-term nature of these instruments.

Fair value of the available-for-sale financial assets held by the Group's associates is estimated based on quoted market prices at the balance sheet date. 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 carrying values of the Group's non-current financial liabilities approximate their fair value based on a discounted cash flow approach using interest rates available to the Group for similar indebtedness.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****44 Commitments****(1) Capital commitments**

As at 30 June 2009, capital commitments of the Group and the Company are as follows:

|                                      | The Group                  |                                | The Company                |                                |
|--------------------------------------|----------------------------|--------------------------------|----------------------------|--------------------------------|
|                                      | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 | 30 June<br>2009<br>RMB'000 | 31 December<br>2008<br>RMB'000 |
| Contracted for                       | 18,819,614                 | 18,982,254                     | 5,369,852                  | 5,565,774                      |
| Authorised but not<br>contracted for | 13,265,205                 | 8,041,662                      | 380,524                    | 838,359                        |
|                                      | <b>32,084,819</b>          | <b>27,023,916</b>              | <b>5,750,376</b>           | <b>6,404,133</b>               |

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

At 30 June 2009, the Group did not have any proportionate share of the jointly controlled entity's capital expenditure commitments (31 December 2008: RMB Nil).

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****44 Commitments (Continued)****(2) Operating lease commitments (Continued)**

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

|  | <b>30 June<br/>2009<br/>RMB'000</b> | 31 December<br>2008<br>RMB'000 |
|--|-------------------------------------|--------------------------------|
| Within one year                          | <b>28,580</b>                       | 30,876                         |
| Over one year and within<br>two years    | <b>28,580</b>                       | 29,837                         |
| Over two years and within<br>three years | <b>28,580</b>                       | 29,837                         |
| Over three years                         | <b>433,468</b>                      | 467,446                        |
|  | <b><u>519,208</u></b>               | <u>557,996</u>                 |

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 fee will be adjusted every five years thereafter with an upward adjustment of not exceeding 30% of the previous year's rental fee.

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****45 Related parties and material related party transactions****(1) Information of parent company of the Company is as follows:**

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

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****45 Related parties and material related party transactions (Continued)**

- (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:

| <u>Company name</u>                           | <u>Relationship with the Company</u>                        |
|---|---|
| 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.

- (4) Transactions between the Group and the Company and key management personnel:

|   | <u>The Group</u>                |                                 | <u>The Company</u>              |                                 |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|   | <u>Six months ended 30 June</u> | <u>Six months ended 30 June</u> | <u>Six months ended 30 June</u> | <u>Six months ended 30 June</u> |
|   | 2009                            | 2008                            | 2009                            | 2008                            |
|   | <i>RMB'000</i>                  | <i>RMB'000</i>                  | <i>RMB'000</i>                  | <i>RMB'000</i>                  |
| Remuneration for key management personnel | <u>1,818</u>                    | <u>1,787</u>                    | <u>1,818</u>                    | <u>1,787</u>                    |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****45 Related parties and material related party transactions (Continued)****(5) Transactions between the Group and the Company and related parties other than key management personnel**

- (a) Transactions 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              |                  |                    |                  |
|--|---------|--------------------------|------------------|--------------------|------------------|--------------------------|------------------|--------------------|------------------|
|  |         | Six months ended 30 June |                  |                    |                  | Six months ended 30 June |                  |                    |                  |
|  |         | 2009                     |                  | 2008               |                  | 2009                     |                  | 2008               |                  |
|  |         | Percentage               |                  | Percentage         |                  | Percentage               |                  | Percentage         |                  |
|  |         | Transaction amount       | on similar deals | Transaction amount | on similar deals | Transaction amount       | on similar deals | Transaction amount | on similar deals |
| Note                                   | RMB'000 |                          | RMB'000          |                    | RMB'000          |                          | RMB'000          |                    |                  |
| Construction costs and equipment costs | (i)     | 128,509                  | 2.40%            | 117,764            | 2.44%            | —                        | —                | 31,289             | 4.47%            |
| Interest expenses                      | (ii)    | 168,521                  | 9.43%            | 157,599            | 10.92%           | 36,548                   | 12.69%           | 32,109             | 10.51%           |
| Loans obtained from related parties    | (ii)    | 2,777,927                | 12.48%           | 2,042,750          | 9.28%            | 1,175,253                | 14.71%           | 500,000            | 5.26%            |
| Loans repaid to related parties        | (ii)    | (1,340,410)              | 8.26%            | (1,512,197)        | 11.58%           | (600,000)                | 10.84%           | —                  | —                |
| Service fee                            | (iii)   | 16,922                   | 100%             | 29,740             | 100%             | —                        | —                | —                  | —                |

- (i) The amount represents 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 and CHD Operation are set out in notes 22 and 28.
- (iii) Service fee represents amount paid to Huadian Coal for provision of management and co-ordination services in relation to coal procurement in the PRC.



**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****45 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:

|                        | Note  | The Group   |             | The Company |             |
|------------------------|-------|-------------|-------------|-------------|-------------|
|                        |       | 30 June     | 31 December | 30 June     | 31 December |
|                        |       | 2009        | 2008        | 2009        | 2008        |
|                        |       | RMB'000     | RMB'000     | RMB'000     | RMB'000     |
| Prepayments            |       |             |             |             |             |
| for construction       |       |             |             |             |             |
| and construction       |       |             |             |             |             |
| materials              | (i)   | 160,340     | 136,240     | —           | 19,000      |
| Trade payables         |       |             |             |             |             |
| and other payables     | (i)   | (18,644)    | (14,482)    | —           | —           |
| Shareholder loans      | (ii)  | (3,019,455) | (2,611,528) | (1,097,131) | (1,121,878) |
| Other loans            | (ii)  | (4,418,285) | (3,388,695) | (1,050,000) | (450,000)   |
| Deposits               | (iii) | 1,004,885   | 1,196,566   | 417,665     | 305,637     |
| Net receipt in advance |       |             |             |             |             |
| for purchase of fuel   |       | —           | —           | (274,669)   | (156,310)   |
| Prepayments for        |       |             |             |             |             |
| purchase of materials  |       | —           | —           | 823,933     | 716,573     |

**Notes:**

- (i) The amount represents 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 and CHD Operation are set out in notes 22 and 28.
- (iii) The amount represents deposits at China Huadian Finance.

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

**45 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) On 13 February 2008, the Company entered into an equity transfer agreement with China Huadian to acquire its equity interests in four subsidiaries, for a total consideration of RMB1,946 million. The Company paid RMB1,044 million in 2008 and RMB833 million in 2009 respectively. As at 30 June 2009, outstanding consideration amounted to RMB68.78 million.
- (d) At 30 June 2009, Guangan Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB196,607,000 (2008: RMB152,957,000).
- (e) At 30 June 2009, the Company provided guarantees to banks for loans granted to its certain subsidiaries amounting to RMB541,120,000 (2008: RMB405,320,000).

**46 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 the progress of appeal. Based on relevant legal opinion, it is likely that Guangan Company will win in the litigation. Accordingly, no provision has been recognised.

**(2) Guarantees provided for other entities**

At 30 June 2009, Guangan Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB196,607,000 (31 December 2008: RMB152,957,000).

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****47 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              |               |
|--|--------------------------|----------------|--------------------------|---------------|
|  | Six months ended 30 June |                | Six months ended 30 June |               |
|  | 2009                     | 2008           | 2009                     | 2008          |
|  | RMB'000                  | RMB'000        | RMB'000                  | RMB'000       |
| <b>Extraordinary gain and loss for the period</b>  |                          |                |                          |               |
| — Net gain on disposals of non-current assets  | 464                      | 74,823         | —                        | 47,272        |
| — Non-recurring government grants  | 19,129                   | 13,890         | 21                       | —             |
| — Net profit generated by subsidiaries before combination date of business combination involving entities under common control | —                        | 24,624         | —                        | —             |
| — Other non-operating income/ (expenses)   | 977                      | (3,461)        | (164)                    | (902)         |
|  | <b>20,570</b>            | <b>109,876</b> | <b>(143)</b>             | <b>46,370</b> |
| Less: Tax effect of the above items  | (4,508)                  | (21,349)       | —                        | (11,593)      |
| <b>Total</b>   | <b>16,062</b>            | <b>88,527</b>  | <b>(143)</b>             | <b>34,777</b> |
| <b>Extraordinary gain and loss attributable to:</b>  |                          |                |                          |               |
| — Equity shareholders of the Company   | 10,142                   | 78,420         | (143)                    | 34,777        |
| — Minority interests   | 5,920                    | 10,107         | —                        | —             |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****48 Earnings per share and return on net assets****(1) The Group's earnings per share**

|   | Six months ended 30 June |                            |                        |                          |
|---|--------------------------|----------------------------|------------------------|--------------------------|
|   | 2009                     |                            | 2008                   |                          |
|   | Basic earnings per share | Diluted earnings per share | Basic losses per share | Diluted losses per share |
| (a) Earnings /(losses) per share inclusive of extraordinary gain and loss (RMB)   | 0.09                     | 0.09                       | (0.08)                 | (0.08)                   |
| — Profit /(loss) attributable to the Company's ordinary equity shareholders (RMB'000)                                       | 546,244                  | 546,244                    | (491,955)              | (491,955)                |
| — Weighted average number of the Company's ordinary shares ('000 shares)  | 6,021,084                | 6,021,084                  | 6,021,084              | 6,021,084                |
| (b) Earnings /(losses) per share net of extraordinary gain and loss (RMB)   | 0.09                     | 0.09                       | (0.09)                 | (0.09)                   |
| — Profit /(loss) deducted extraordinary gains and loss attributable to the Company's ordinary equity shareholders (RMB'000) | 536,102                  | 536,102                    | (570,375)              | (570,375)                |
| — Weighted average number of the Company's ordinary shares ('000 shares)  | 6,021,084                | 6,021,084                  | 6,021,084              | 6,021,084                |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****48 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:

|   | Six months ended 30 June |                  |               |                  |
|---|--------------------------|------------------|---------------|------------------|
|   | 2009                     |                  | 2008          |                  |
|   | Fully diluted            | Weighted average | Fully diluted | Weighted average |
| (a) Return on net assets inclusive of extraordinary gain and loss                                 | 4.71%                    | 4.82%            | (3.33%)       | (3.23%)          |
| — Net profit/(loss) attributable to the Company’s ordinary equity shareholders (RMB’000)          | 546,244                  | 546,244          | (491,955)     | (491,955)        |
| — Period-end equity attributable to the Company’s ordinary equity shareholders (RMB’000)          | 11,607,606               | —                | 14,774,513    | —                |
| — Weighted average of equity attributable to the Company’s ordinary equity shareholders (RMB’000) | —                        | 11,334,484       | —             | 15,231,042       |

**NOTES ON THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)****48 Earnings per share and return on net assets (Continued)****(2) Return on net assets of the Group (Continued)**

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: *(Continued)*

|  | Six months ended 30 June |                  |               |                  |
|--|--------------------------|------------------|---------------|------------------|
|  | 2009                     |                  | 2008          |                  |
|  | Fully diluted            | Weighted average | Fully diluted | Weighted average |
| (b) Return on net assets net of extraordinary gain and loss  | 4.62%                    | 4.73%            | (3.86%)       | (3.74%)          |
| — Net profit /(loss) deducted extraordinary gain and loss attributable to the Company’s ordinary equity shareholders (RMB’000) | 536,102                  | 536,102          | (570,375)     | (570,375)        |
| — Period-end equity attributable to the Company’s ordinary equity shareholders (RMB’000)                                       | 11,607,606               | —                | 14,774,513    | —                |
| — Weighted average of equity attributable to the Company’s ordinary equity shareholders (RMB’000)                              | —                        | 11,334,484       | —             | 15,231,042       |

**49 Segment reporting**

The Group principally has one reportable segment, which is the generation and sale of electricity in the PRC. Therefore, no additional reportable segment has been presented.

## SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS

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

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

|  | Note | Six months ended 30 June |                 |
|--|------|--------------------------|-----------------|
|  |      | 2009<br>RMB'000          | 2008<br>RMB'000 |
| Amount under CAS (2006)                                      |      | <b>720,554</b>           | (557,506)       |
| Adjustments:   |      |                          |                 |
| Business combination involving entities under common control | (a)  | <b>(14,556)</b>          | (28,709)        |
| Government grants  | (b)  | <b>5,664</b>             | 5,473           |
| Taxation impact of the adjustments                           |      | <b>3,367</b>             | 742             |
| Total  |      | <b>(5,525)</b>           | (22,494)        |
| Amount under IFRS  |      | <b>715,029</b>           | (580,000)       |

## SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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

|  | 30 June<br>2009   | 31 December<br>2008 |
|--|-------------------|---------------------|
| Note   | <b>RMB'000</b>    | <b>RMB'000</b>      |
| Amount under CAS (2006)  | <b>16,524,261</b> | 15,462,893          |
| Adjustments:   |                   |                     |
| Business combination involving entities under common control (a) | <b>794,919</b>    | 809,475             |
| Government grants (b)  | <b>(168,439)</b>  | (174,103)           |
| Taxation impact of the adjustments                               | <b>(158,118)</b>  | (161,485)           |
| Total  | <b>468,362</b>    | 473,887             |
| Amount under IFRS  | <b>16,992,623</b> | 15,936,780          |



## SUPPLEMENTARY INFORMATION TO THE FINANCIAL STATEMENTS *(CONTINUED)*

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

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

Notes:

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

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

*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.*