

Annual Report **2009**



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

Stock Code: 1071

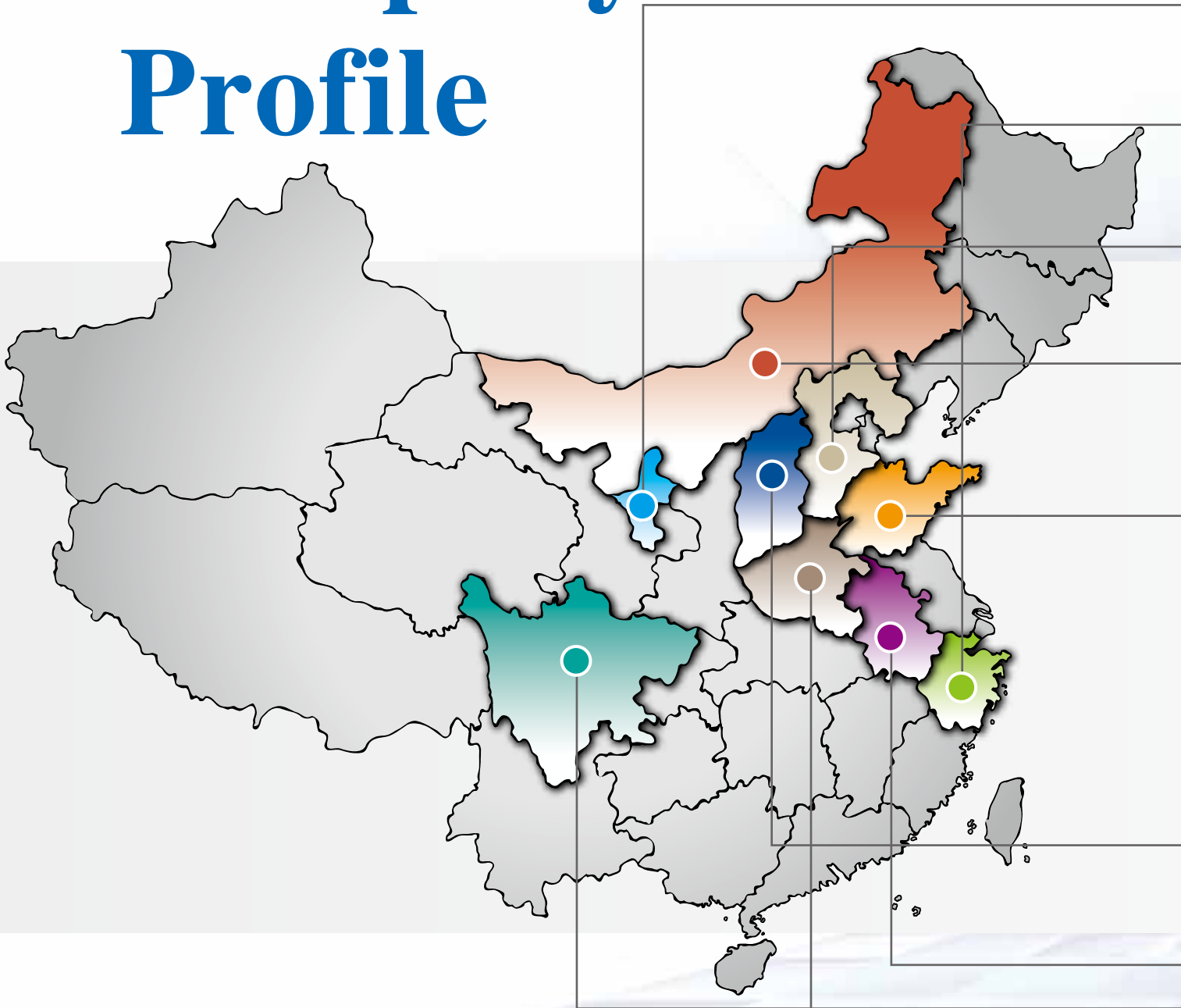


華電國際電力股份有限公司  
HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

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# Company Profile



Huadian Power International Corporation Limited (the "Company") and its subsidiaries (together, the "Group") are one of the largest listed power producers in the People's Republic of China (the "PRC"). The Group is primarily engaged in the construction and operation of power plants and other businesses related to power generation. As at the date of this report, the interested installed capacity of the Group amounted to 21,379.6MW, while the total installed capacity controlled by the Group amounted to 24,548.0MW. The total number of employees amounted to 18,058.





Zhongning Company



Ningxia Power Company



Lingwu Company



Hebei Hydropower Company



Shijiazhuang Thermal Power Company



Hangzhou Banshan Company



Kailu Wind Power Company



Zhangqiu Company



Weifang Company



Tengzhou Company



Shiliquan Plant



Zouxian Plant



Qingdao Company



Zibo Company



Laicheng Plant



Dongyi Coal Company



Suzhou Biomass Energy Company



Chizhou Company



Suzhou Company



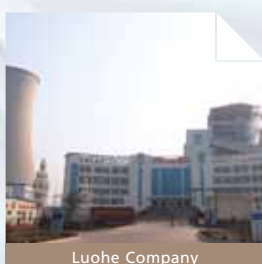
Wuhu Company



Lu'an Company



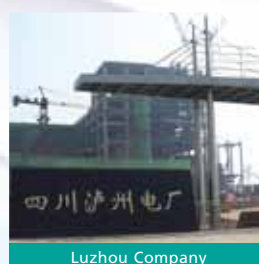
Xinxiang Company



Luohe Company



Guang'an Company



Luzhou Company



Luding Hydropower Company

## Company Profile (Continued)

The Company was incorporated in Jinan, Shandong Province, the PRC on 28 June 1994. On 30 June 1999, the Company issued approximately 1,431 million H shares in its initial public offering, which were listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). At the beginning of year 2005, the Company issued 765 million A shares, which were listed on the Shanghai Stock Exchange on 3 February 2005. On 1 December 2009, the Company issued 750 million A shares through non-public issue, and such shares were listed on the Shanghai Stock Exchange. To date, the Company has issued 5,340,056,200 A shares and 1,431,028,000 H shares, accounting for approximately 78.87% and 21.13% of the total issued share capital of the Company, respectively. The power plants and companies of the Group are all strategically located in the vicinity of major coal mines or electricity load centres.

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

Name of power plant/ company	Installed capacity (MW) (As at the date hereof)	Equity interest held by the Company	Generating units	Notes
Zouxian Plant	2,540	100%	2 x 600MW + 4 x 335MW	
Shiliquan Plant	770	100%	1 x 330MW + 1 x 300MW + 1 x 140MW	
Laicheng Plant	1,200	100%	4 x 300MW	
Huadian Zouxian Power Generation Company Limited ("Zouxian Company")	2,000	69%	2 x 1,000MW	
Huadian Weifang Power Generation Company Limited ("Weifang Company")	2,000	45%	2 x 670MW + 2 x 330MW	
Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	1,200	55%	4 x 300MW	
Huadian Zibo Thermal Power Generation Company Limited ("Zibo Company") (Note 1)	433	100%	2 x 145MW + 2 x 71.5MW	2x300MW heat-power co-generating units under construction
Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	890	87.5%	2 x 300MW+ 2 x 145MW	
Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Company") (Note 2)	930	93.257%	2 x 315MW+ 2 x 150MW	
Huadian Laizhou Wind Power Company Limited ("Laizhou Wind Power Company")	40.5	55%	27 x 1.5MW	
Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	1,200	65%	2 x 600MW	2 X 1,000MW generating units under construction
Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	660	50%	2 x 330MW	
Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company") (Note 1 and Note 3)	90	100%	60 x 1.5MW	12MW wind power generating unit under construction
Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("Shangde Solar Company") (Note 1 and Note 4)	—	60%	—	10MW solar power generating unit under construction

## Company Profile (Continued)

Name of power plant/company	Installed capacity (MW) (As at the date hereof)	Equity interest held by the Company	Generating units	Notes
Sichuan Guang'an Power Generation Company Limited ("Guang'an Company")	2,400	80%	2 x 600MW + 4 x 300MW	
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company") (Note 1)	—	100%	—	4x230MW hydroelectric generating units under construction
Sichuan Huadian Zagunao Hydroelectric Development Company Limited ("Zagunao Hydroelectric Company") (Note 3)	423	49%	3 x 65MW+ 3 x 46MW + 3 x 30MW	168MW hydroelectric generating unit under construction
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660MW	
Huadian Luohe Power Generation Company Limited ("Luohe Company") (Note 3)	300	75%	1 x 300MW	1x300MW heat-power co-generating unit under construction
Huadian Qudong Power Generation Company Limited ("Qudong Company") (Note 1 and Note 4)	—	90%	—	2x300MW heat-power co-generating units under construction
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company") (Note 5)	1,260	97%	2 x 630MW	
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	1,320	65%	2 x 660MW	
Anhui Chizhou Jiu Hua Power Generation Company Limited ("Chizhou Company")	600	40%	2 x 300MW	
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	25	78%	2 x 12.5MW	
Anhui Huadian Lu'an Power Generation Company Limited ("Lu'an Company") (Note 1 and Note 4)	—	95%	—	1x600MW generating unit under construction
Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company") (Note 1, Note 2 and Note 3)	99	100%	66 x 1.5MW	300MW wind power generating unit under construction
Huadian Kezuozhongqi Wind Power Company Limited ("Kezuozhongqi Wind Power Company") (Note 1 and Note 4)	—	100%	—	49.5MW wind power generating unit under construction
Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company")	1,435	64%	3 x 390MW + 1 x 135MW+ 1 x 130MW	

# Company Profile (Continued)



Name of power plant/ company	Installed capacity (MW) (As at the date hereof)	Equity Interest held by the Company	Generating units	Notes
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company") (Note 1 and Note 3)	1,100	82%	2 x 300MW + 2 x 200MW + 4 x 25MW	2x300MW heat-power co-generating units under construction
Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company") (Note 3 and Note 4)	100.5	100%	67 x 1.5MW	
Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company") (Note 1 and Note 4)	—	100%	—	49.5MW wind power generating unit under construction
Hebei Huadian Complex Pumping-storage Power Company Limited ("Hebei Hydropower Company")	57	100%	1 x 16MW + 2 x 15MW + 1 x 11MW	
Hebei Huarui Energy Group Corporation Limited ("Huarui Company") (Note 6)	1,866.7	100%	—	
Total controlled installed capacity (Note 7)	<u>24,548.0</u>			
Total interested installed capacity (Note 8)	<u>21,379.6</u>			



## Company Profile (Continued)



*Note 1: The four 230MW hydroelectric generating units project of Luding Hydropower Company was approved by the National Development and Reform Commission (the "NDRC") on 3 March 2009; the 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; the 600MW generating unit project of Lu'an Company was approved by the NDRC on 21 July 2009; the two 300MW heat-power co-generating units project of Qudong Company was approved by the NDRC on 3 September 2009; the two 300MW heat-power co-generating units project of Zibo Company was approved by the NDRC on 11 November 2009; the 49.5MW wind power generating units project of Kezuozhongqi Wind Power Company was approved by the Development and Reform Commission of Inner Mongolia Autonomous Region on 6 July 2009; the 49.5MW wind power generating units project of Kangbao Wind Power Company was approved by the Development and Reform Commission of Hebei Province on 30 September 2009; the 49.5MW wind power generating units project of Yihetala Project Phase II of Kailu Wind Power Company was approved by the Development and Reform Commission of Inner Mongolia Autonomous Region on 29 October 2009; the 12MW wind power generating units of Phase I and II Expansion Project of Ningdong Wind Power Company was approved by the Development and Reform Commission of Ningxia Hui Autonomous Region on 14 December 2009; the 10MW solar power generating units project of Shangde Solar Company was approved by the Development and Reform Commission of Ningxia Hui Autonomous Region on 24 June 2009.*

*Note 2: The Group's shareholding in Tengzhou Company increased from 89.255% to 93.257% on 1 January 2009, the Group's shareholding in Kailu Wind Power Company increased from 75% to 100% on 6 July 2009.*

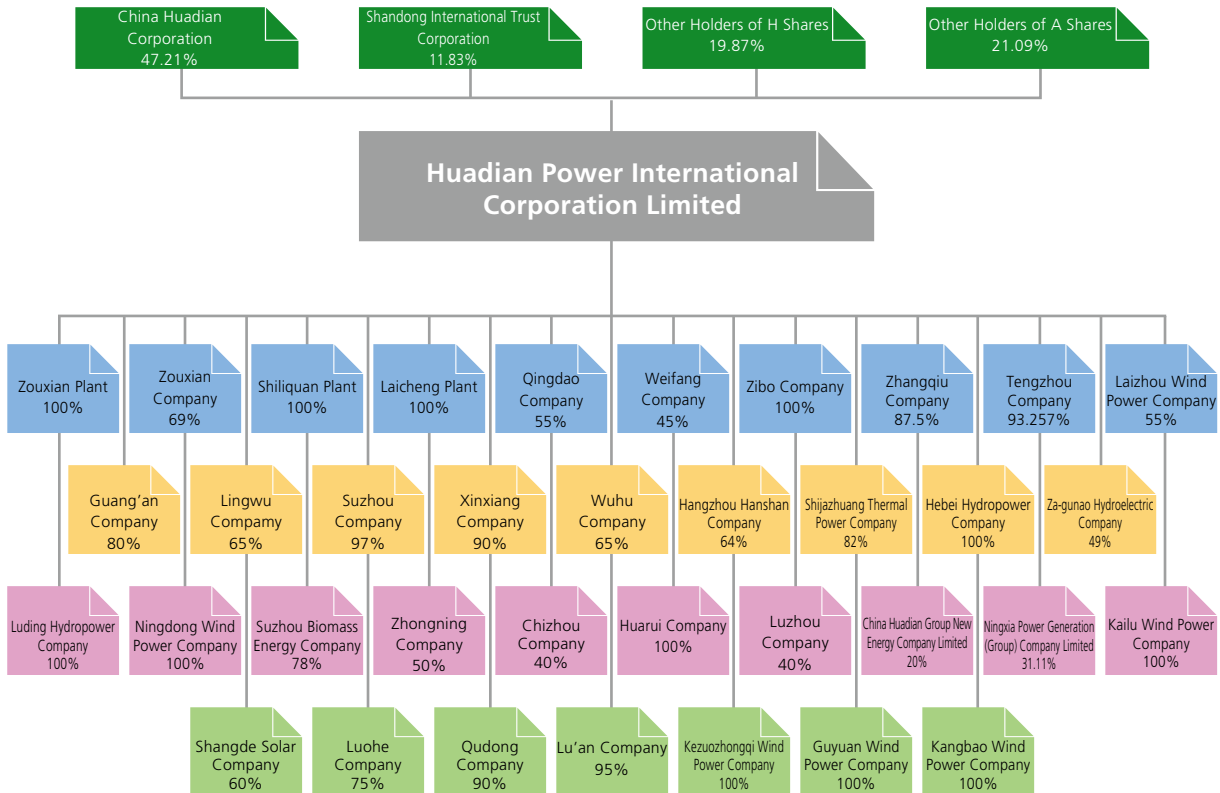
# Company Profile (Continued)

- Note 3: *The two 300MW heat-power co-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; the first 300MW heat-power co-generating unit of Luohe Company completed the 168-hour trial operation at full loaded capacity as required by the State on 23 December 2009; the 45MW wind power generating units of Ningdong Wind Power Company Phase II Project were all connected to the grid and commenced generation on 1 December 2009; the 100.5MW wind power generating units of Guyuan Wind Power Company were all connected to the grid and commenced generation on 31 December 2009; the 99 MW wind power generating unit of Yihetala Project Phases I & II of Kailu Wind Power Company were connected to the grid and commenced power generation on 31 January 2010; and three 65MW hydroelectric generating units of Zagunao Hydroelectric Company completed the 72-hour trial operation at full loaded capacity as required by the State on 17 March 2010.*
- Note 4: *Guyuan Wind Power Company was incorporated on 19 June 2009, in which the Group holds 100% equity interests, and has been included into the Group’s consolidated financial statements since its incorporation; Kezuozhongqi Wind Power Company was incorporated on 25 September 2009, in which the Group holds 100% equity interests, and has been included into the Group’s consolidated financial statements since its incorporation; Qudong Company was incorporated on 3 November 2009, in which the Group holds 90% equity interests, and has been included into the Group’s consolidated financial statements since its incorporation; Shangde Solar Company was incorporated on 30 December 2009, in which the Group holds 60% equity interests, and has been included into the Group’s consolidated financial statements since its incorporation; Kangbao Wind Power Company was incorporated on 2 February 2010, in which the Group holds 100% equity interests, and has been included into the Group’s consolidated financial statements since its incorporation; Lu’an Company was incorporated on 9 February 2010, in which the Group holds 95% equity interests, and has been included into the Group’s consolidated financial statements since its incorporation.*
- Note 5: *The Energy Bureau of Anhui Province approved the capacity expansion of two generating units of Suzhou Company to 630MW each on 16 December 2009.*
- Note 6: *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 1,866.7MW.*
- Note 7: *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 as at the date of this report.*
- Note 8: *Total interested installed capacity of the Group refers to the installed capacities of the Company and companies controlled or invested by the Company as at the date of this report, aggregated based on the respective percentage of equity interests held by the Company.*

# Company Profile (Continued)

## SHAREHOLDING STRUCTURE

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



Particulars of the Company's subsidiaries, associates and jointly controlled entities as at 31 December 2009 are set out in notes 20, 21 and 22 respectively of the financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") included in this annual report.

# Chairman's Statement

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2009. The past year was an extraordinary one in the history of the Group. Under the tremendous pressure of the substantial loss in 2008 and faced with the impact from the international financial crisis, lower utilization hours of power generating equipment and lingering high coal prices, the Group fought hard with concerted efforts to overcome the plight. As a result, we roared back into profit, achieved great achievements in capital operation and opened up a brand new landscape for scientific development, thus cementing a more solid foundation for the Company to build itself into a national outstanding modern public power company.

For the financial year ended 31 December 2009, power generation of the Group amounted to 107.47 million MWh, representing an increase of approximately 11.32% over 2008 (or an increase of approximately 6.75% in accordance with domestic announcement scope); turnover amounted to approximately RMB36,450 million, representing an increase of approximately 21.51% over 2008; profit attributable to equity shareholders of the Company amounted to approximately RMB1,157 million and the earnings per share was RMB0.19. The board of directors (the "Board") of the Company recommended the payment of a final dividend of RMB237 million for the financial year of 2009.

During the reporting period, the Company issued 750 million A Shares by way of non-public issue at the issue price of RMB4.7 per share, raising RMB3,453.7 million of net proceeds. The issue reduced the liabilities to assets ratio of the Company.

As at the date of this report, the Group made substantial breakthroughs in expanding towards upstream industry chain. During the reporting period, Shanxi Maohua Energy Investment Company Limited ("Maohua Company") was established to acquire 70% equity interest in Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited and 70% equity interest in Shanxi Dongyi Zhonghou Coal Company Limited. Furthermore, the Company is actively expanding its investment in the coal industry in Shanxi Province and actively participating in the coal resources integration in the province, so as to secure additional coal resources following completion of the above acquisitions. Apart from the foregoing acquisitions, the Group also acquired 45% equity interest in Ningxia Yinxing Coal Company Limited, 35% equity interest in Inner Mongolia Fucheng Mining Co., Ltd and 25% equity interest in Inner Mongolia Ertuoqeqianqi Changcheng Mine Co., Ltd. The aforesaid investments play a positive role in the Company's expansion into the upstream industry chain and secured the coal supply of the Company's power plants.

From 1 January 2009 to the date of this report, the installed capacity of the Group kept increasing. Two 300MW heat-power co-generating units of Yuhua Company, 45MW wind power generating units of Ningdong Wind Power Company Phase II Project, one 300MW heat-power co-generating unit of Luohe Company, 100.5MW wind power generating units of Guyuan Wind Power Company, 99MW wind power generating units of Yihetala Project of Kailu Wind Power Company and 195MW hydroelectric generating units of Zagunao Hydroelectric Company commenced commercial operation in tandem, with installed capacity totalled 1,339.5MW.



**Yun Gongmin**  
Chairman



To increase the rate of return for shareholders and strengthen its core competitiveness, the Group has been continuously exploring new opportunities for development of electricity business throughout the country, with a view to maintaining its position as one of the largest and most competitive listed power producers in the PRC. Projects under construction and planning are proceeding smoothly. As at the date of this report, the Group's projects under construction include: two 1,000MW generating units of Lingwu Company Phase II Project, two 1,000MW generating units of Shandong Laizhou Project, one 300MW heat-power co-generating unit of Luohe Company, one 600MW unit of Lu'an Company, two 300MW heat-power co-generating units of Luhua Company, two 300MW heat-power co-generating units of Qudong Company, two 300MW heat-power co-generating units of Zibo Company, four 230MW hydroelectric generating units of Luding Hydropower Company, 168MW hydroelectric generating unit of Zagunao Hydroelectric Company, 300MW wind power generating unit of Kailu Wind Power Company, 49.5MW wind power generating unit of Kezuozhongqi Wind Power Company, 49.5MW wind power generating unit of Kangbao Wind Power Company, 12MW wind power generating unit of the Expansion Project of Ningdong Wind Power Company, 10MW solar power generating unit of Shangde Solar Company and 49.5MW wind power generating unit of Yueliangshan Project in Xiji County, Ningxia.

In addition, the following projects of the Group have obtained "road slip" (means preliminarily approval by NDRC), and are subject to the official approval by state or local authorities: one 600MW generating unit of Expansion Project of Shiliquan Plant, two 300MW heat-power co-generating units of Tianjin Nanjiang Project, one 300MW heat-power co-generating unit of Phase III Project of Qingdao Company, 100MW wind power generating unit of Phase II Project of Guyuan Wind Power Company, 100MW wind power generating unit of Zhangjiakou Saibei Phase I Project, 49.5MW wind power generating unit of Wengniuteqi Phase I Project and 49.5MW wind power generating unit of Phase I of Caofeidian Offshore Project.

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

**Yun Gongmin**  
Chairman

Beijing, the PRC  
26 March 2010



# Business Review and Outlook

## BUSINESS REVIEW

### (1) Power Generation

Power generation of the Group during 2009 amounted to 107.47 million MWh, representing an increase of approximately 11.32% (or an increase of approximately 6.75% in accordance with domestic announcement scope) over 2008; the volume of power sold amounted to 99.95 million MWh, representing an increase of approximately 10.32% (or an increase of approximately 6.76% in the volume of power sold in accordance with domestic announcement scope) over 2008. The annual utilization hours of the coal-fired generating units were 4,954 hours, representing a decrease of approximately 72 hours from 2008. Coal consumption for power supply was 323.00g/KWh.

### (2) Turnover

Turnover of the Group for the year 2009 amounted to approximately RMB36,450 million, representing an increase of approximately 21.51% over 2008. Revenue generated from sale of electricity amounted to RMB35,197 million, representing an increase of approximately 20.23% over 2008; the revenue generated from sale of heat amounted to RMB1,252 million, representing an increase of approximately 73.42% over 2008.

### (3) Profit

For the year ended 31 December 2009, the Group's profit attributable to equity shareholders of the Company amounted to RMB1,157 million. Earnings per share were RMB0.19.



#### (4) Newly installed capacity

From 1 January 2009 to the date of this report, 1,339.5MW coal-fired generating units, wind power generating units and hydropower generating units of the Group commenced operation:

Project Name	Installed capacity (MW)	Date of completion of trial operation at full loaded capacity as required by the State/commencing power generation for the grid
The first unit of Yuhua Company	300	23 January 2009
The second unit of Yuhua Company	300	23 April 2009
The first unit of Luohe Company	300	23 December 2009
Phase II of Ningdong Wind Power Company	45	1 December 2009
Guyuan Wind Power Company	100.5	31 December 2009
Yihetala Project Phase I & II of Kailu Wind Power Company	99	31 January 2010
Zagunao Hydroelectric Company	195	17 March 2010
Total	<u>1,339.5</u>	

# Business Review and Outlook (Continued)

## (5) Construction in progress

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

Name of project under construction	Installed capacity
Lingwu Company Phase II Project	2 x 1,000MW generating units
Shandong Laizhou Project	2 x 1,000MW generating units
Lu'an Company	1 x 600MW generating unit
Luohe Company	1 x 300MW heat-power co-generating unit
Luhua Company	2 x 300MW heat-power co-generating units
Qudong Company	2 x 300MW heat-power co-generating units
Zibo Company	2 x 300MW heat-power co-generating units
Luding Hydropower Company	4 x 230MW hydroelectric generating units
Zagunao Hydroelectric Company	168MW hydroelectric generating units
Kailu Wind Power Company	300MW wind power generating units
Kezuozhongqi Wind Power Company	49.5MW wind power generating units
Kangbao Wind Power Company	49.5MW wind power generating units
Expansion Project of Ningdong Wind Power Company	12MW wind power generating units
Yueliangshan Project in Xiji County, Ningxia	49.5MW wind power generating units
Shangde Solar Company	10MW solar power generating units
Total	<b>8,258.5MW</b>

## (6) Preliminary projects

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

Project Name	Planned installed capacity
Expansion Project of Shiliquan Plant	1 x 600MW generating unit
Tianjin Nanjiang Project	2x300MW heat-power co-generating units
Phase III Project of Qingdao Company	1x300MW heat-power co-generating unit
Phase II Project of Guyuan Wind Power Company	100MW wind power generating units
Saibei Phase I Project	100MW wind power generating units
Wengniuteqi Phase I Project	49.5MW wind power generating units
Phase I of Caofeidian Offshore Project	49.5MW wind power generating units
Total	<b>1,799MW</b>

The above preliminary projects have obtained "road slip" (means preliminarily approval by NDRC or its local counterparts), and are subject to the official approval by state or local authorities.



# Business Review and Outlook (Continued)

## BUSINESS OUTLOOK

### (1) Macro-economy and market environment faced by the Group

Year 2010 is expected to witness a more favourable economic environment as compared with 2009. World economy is projected to turn into positive growth while China's overall economy is on the track of recovery. With consistent and stable macro-economic policies, China's national economy will continue to maintain steady and rapid growth. However, global economic recovery will be a slow and tortuous process while China's recovery is not bolstered by very strong fundamentals. As external demand struggles to recover, internal dynamism remains weak, overcapacity hangs over certain industries and inflation pressure increases, we are facing tremendous difficulties and imbalance. Multiple uncertainties still dwell in the complicated economic environment. Under such macro-economic situations, the Group is faced with rare opportunities as well as austere challenges.

In respect of industry policy: The State Council of the PRC decided to reduce the intensity of carbon dioxide emissions per unit of GDP in 2020 by 40 to 45 percent compared with the level of 2005. Non-fossil energy will take up around 15% of all non-renewable energy consumption. Based on such goal, China is stepping up in building industry systems featuring low carbon discharge, developing low carbon economy, especially focusing on the development of new energy as a strategic and emerging industry. Such initiatives have brought huge development potentials for new energy and clean energy. Meanwhile, as China slashes pollutant discharge during coal-fired generation, enhances environment supervision and law enforcement, controls coal-fired generation scale and construction pace, "build large, curb small" became the main route of development for coal-fired generation. Further, the tightening approvals also set higher standard for the development of coal-fired power projects, energy saving and emission reduction. In addition, as low carbon economy progresses, planning in advance is needed for carbon trading and application of low carbon technology.

In respect of power generation market: As China expands domestic demands and accelerates the pace of urbanization, the recovering domestic economy will push up power consumption. The steady increase in power consumption will create favourable conditions for power generation growth. However, affected by the inter-play between periodic coal shortage and extreme weather, power supply and demand will remain uncertain. Market environment is complicated by increasing cross regional power sale and intensifying market competition.

In respect of the coal market: Since the second half of 2009, under the compound influences of market, climate and transportation, certain regions have experienced coal shortage and power production interruption. After coal sales conference was cancelled, power generation and coal supply are free to transact. Judging from the present sales contracts, coal price has seen a significant increase. Considerable pressure on the coal market is expected to remain in the short term. In the long run, upon gradual resumption of production of those coal mines under resources integration in Shanxi and other major coal mining provinces, coal output is expected to see a remarkable increase, and transportation bottleneck is expected to be alleviated gradually. Save for tight supply in certain regions, coal demand and supply will be largely balanced.

### (2) Development strategy, opportunities and challenges in the future

Development strategy: The Group will build up an optimized assets structure of "one principal business with diversification", namely, taking large-scale coal-fired thermal power as the principal business, complemented with hydropower, wind power and other renewable energy sources and guaranteed coal resources. The Group aims to enhance asset profitability comprehensively so as to realise economies of scale and efficiency and to further improve its overall competitiveness. Our vision in respect of the long term development of the Company is to form a diversified power generation structure with thermal power as its principal business to be mutually complemented by new energies such as wind power and hydropower. By increasing relatively the proportion of hydropower, building up wind power to a sizable scale, and controllable coal supply sufficient to satisfy the development of power generation, we strive to build the Company into a first-class power generation enterprise in the world.

# Business Review and Outlook (Continued)



Opportunities: China's national economy has bottomed out and recovered gradually. The continuous growth in social power consumption and expected slight increase in utilization hours will create favourable conditions for the Group to increase power generation in 2010. Some coal mines controlled or invested by the Group will commence production in 2010. The increasing production capacities of such coal mines will play a positive role for the Group to improve its coal supply structure and stabilise coal price. China has put significant efforts in the development of green economy and recyclable economy, and will initiate low carbon pilot projects, which provide opportunity for the shift adjustment of the Group's structure and modification of the mode of development.

Challenges: Firstly, coal price has increased significantly for the key coal contracts signed in 2010 while there exist uncertainties in the policy regarding price linkage between coal and electricity, and higher price for railway cargo transportation in China has raised coal transportation cost, which will have certain influence on the operating results and performance of the Group. Secondly, as China pushes ahead the reform of environment protection charges and tighter supervision on environment protection facilities, relevant cost will be further increased. Thirdly, with China uplifting the approval threshold for coal-fired power projects, "build large, curb small" policy is to be strictly enforced, and the development of conventional coal-fired power projects are under considerable restraint.

## MAJOR OBJECTIVES OF THE GROUP IN 2010:

With careful analysis of the current situation, and aiming at quality and speedy development, the Group has set the following overall guidance for 2010: to further study and practise scientific development in order to firmly establish the value mindset and by focusing on the principle of increasing the Group's relative competitiveness, to attach more importance to profitability, restructuring, management innovation and human resources; to further strengthen safe production and capital operation; to tackle difficulties and to forge ahead so as to secure the achievement of various targets and tasks of the Group for the year with a view to creating new grounds for the Group's scientific development; and to quicken the pace of building the Company into a distinguished modern listed power generation enterprise in China. Assuming there is

## Business Review and Outlook (Continued)



**Chen Jianhua**

Executive Director  
and General Manager

no significant change in the external environment, the Group is expected to achieve power generation of approximately 114.5 million MWh with an average of around 5,035 utilization hours for coal-fired units in 2010. Coal price will rise to some extent in 2010 as compared with 2009. The details are as follows:

1. To step up market exploration and increase profitability by all means. In particular, the Group will enhance the synergy of marketing network to expand regional market share, strengthen fuel management to promote fuel allocation in different regions, and upgrade fund and budget management to reduce financial costs.
2. To speed up the structural adjustment and optimization and proactively promote scientific development. The Group will accelerate adjustment and optimization of industrial structure, power source structure and regional structure, make efforts in power source reserve projects, enhance technical restructuring and upgrading as well as strengthen management of projects under construction.
3. To further carry out management innovation and fully upgrade management. The Group will improve its management and control system, promote operation management evaluation, make innovation in construction management system and expand the application of information system.
4. To reinforce safe production management so as to ensure a safe, steady and economical operation of generating units.

**Chen Jianhua**

*Executive Director and General Manager*

Beijing, the PRC  
26 March 2010

# Directors, Supervisors and Senior Management



## DIRECTORS



**Mr. Yun Gongmin**, Chinese, born in September 1950, graduated from the Heat Energy Engineering Department of Tsinghua University majoring in Auto Manufacturing. He is currently Chairman of the Company, the general manager of China Huadian Corporation ("China Huadian") and the chairman of the board of directors of Yunnan Jinshajiang Midstream Hydropower Development Co., Ltd. Mr. Yun had served as deputy chairman of the board of directors and chairman of the Labor Union of Shenhua Group Corporation Limited and a non-executive director of China Shenhua Energy Company Limited, which is listed on the Hong Kong Stock Exchange (stock code: 1088). Mr. Yun had also served as deputy general secretary of Shanxi Provincial Committee of the Communist Party of China (the "CPC"), director of the Publicity Department of Shanxi Provincial Committee of CPC, a member of the Standing Committee of Shanxi Provincial Committee of CPC, general secretary of Taiyuan Municipal Committee of CPC, vice governor of Shanxi Province, vice president of the Inner Mongolia Autonomous Region, assistant to the president of the Inner Mongolia Autonomous Region, chief of Yikezhao Banner of Inner Mongolia and general secretary of Yikezhao Banner Committee of CPC and director of the Working Committee of the People's Congress of Yikezhao Banner. Mr. Yun has over 30 years of experience in government administration and industry management.



# Directors, Supervisors and Senior Management (Continued)



**Mr. Chen Feihu**, Chinese, born in July 1962, graduated from Renmin University of China with a Bachelor's degree. He is currently the vice chairman of the Company as well as the Deputy General Manager of China Huadian. He is also the chairman of China Huadian Corporation Capital Holding Company Limited and the chairman of China Huadian Corporation Finance Company Limited. Mr. Chen had served in the Production and Finance Division of Finance Bureau of Ministry of Electric Power and Industry, the Production and Finance Department of Finance Bureau of Ministry of Water Resources and Electric Power, Electric Enterprise Division of Economic Regulation Bureau of Ministry of Energy, Production Division of Finance Department of China Electricity Council, Economic Regulation Division of Economic Regulation Bureau of the Ministry of Electric Power, Fujian Provincial Bureau of Electricity Industry, Economic Regulation Bureau of the Ministry of Electric Power, Finance and Assets Operation Department of State Power Corporation, General Manager Department and Institutional Reform Office of State Power Corporation and State Power Corporation. He has 29 years' experience in electricity generation, public finance, banking and finance and macro economic management, etc.



**Mr. Chen Dianlu**, Chinese, born in October 1954, graduated from Nankai University with an EMBA degree, is currently serving as the vice chairman of the Company and a director and a deputy general manager of Shandong Luxin Investment Holdings Group Co., Ltd.. Mr. Chen had served as the head of the Resource Department of Shandong Province Audit Committee, the manager of the Fund Finance Department, assistant general manager and deputy general manager of Shandong International Trust and Investment Corporation and a director and deputy general manager of Shandong Luxin Investment Holdings Co., Ltd.. Mr. Chen has 28 years' experience in trust, investments and similar related work.

## Directors, Supervisors and Senior Management (Continued)



**Mr. Chen Jianhua**, Chinese, born in May 1960, a senior engineer with a doctorate degree, is currently a director and the general manager of the Company. Mr. Chen graduated from Xi'an Jiaotong University. He has 28 years' experience in electric power generation, operating management and securities finance. Before joining the Company, Mr. Chen had worked at Qingdao Plant and Shandong Electric Power Group Corporation.



**Ms. Wang Yingli**, Chinese, born in September 1961, is a senior engineer with university qualification and holds a MBA degree. She is currently a director of the Company, the deputy general manager of Shandong International Trust Corporation. She is also a director of Jinan International Airport Co., Ltd., Shandong Nuclear Power Company Ltd., and Shandong Century Electric Power Development Co., Ltd., respectively, and a supervisor of Shandong Airline Group Co., Ltd.. Ms Wang commenced her job career in 1981. Ms Wang has 28 years' experience in macroeconomics, trust and investment management. Ms. Wang had worked at Shandong University and Shandong International Trust Corporation.



**Mr. Chen Bin**, Chinese, born in November 1958, an engineer with a Bachelor's degree in Law, is currently a director of the Company, the head of Marketing Department of China Huadian, a director of Huadian Coal Industry Group Company Limited ("Huadian Coal") as well as a director of Shanghai Huadian Power Development Company Limited. Graduated from Hebei University, Mr. Chen has 29 year's experience in power management. Mr. Chen joined the People's Liberation Army of China in 1976. From 1980, Mr. Chen has successively held such positions as secretary of the Committee of CPC, technician and deputy head of Overhaul Section of Hangzhou Zhakou Power Plant, secretary and deputy head of Working Office of Power Bureau of Zhangjiang Province, deputy factory manager and factory manager of Hangzhou Banshan Power Plant, general manager and party secretary of Hangzhou Huadian Banshan Power Generation Company Limited, and head and party secretary of Zhejiang Representative Office of China Huadian.



**Mr. Zhong Tonglin**, Chinese, born in February 1960, is a senior engineer. Mr. Zhong graduated from Xi'an Jiaotong University with a Master's degree. He is currently a director and deputy general manager of the Company. He is also the vice chairman of Ningxia Power Generation Company (Group) Limited. Mr. Zhong graduated from Shanghai Electric Power College. He has 27 years' experience in electric power infrastructure, design, management and securities finance. Before joining the Company, Mr. Zhong had worked at the Shandong Province Electric Power Design Institute, the Shandong Electric Power Infrastructure Company, Shandong No.3 Electric and Construction Company and Shandong Electric Power Group Corporation.

## Directors, Supervisors and Senior Management (Continued)



**Mr. Chu Yu**, Chinese, born in August 1963, an engineer, graduated from Shanghai Electric Power College. is currently serving as a director of the Company and the deputy dead of Financial and Risk Management Department of China Huadian. He had worked at Yangzhou Power Plant, Yangzhou Power Generation Co., Ltd., China Huadian Jiangsu Branch and China Huadian. He has 25 years' experience in electricity generation and operation management.



**Mr. Wang Yuesheng**, Chinese, born in July 1960, is a professor and PhD tutor. Since he graduated from School of Economics of Peking University in 1985, Mr. Wang has been teaching in Peking University till now. He is currently serving as an independent director of the Company, the head of the Department of International Economy and the head of International Economic Research Institute of Peking University. He also serves as an executive director in China Association of World Economic Research, China Association of International Economic Relations and Chinese Association for Russian, East European and Central Asian Studies. His research covers new system economics and economic transition issues, economy in transitional countries; enterprise theory, enterprise system and corporate governance; and contemporary international economy and multinational corporations. His research mainly covers international comparison of economic transition, enterprise theory, international enterprise system and the contemporary international economy in recent years.



**Mr. Hao Shuchen**, Chinese, born in August 1964, a professor, is serving as an independent director of the Company. Mr. Hao graduated from the Department of Economics of Shandong University with a Bachelor's degree in Economics in 1985; from Economic Research Institute of Zhongnan University of Finance and Economics with a Master's degree in Economics in 1988, and from the Huazhong University of Science and Technology with a PhD in Management in 2007. Mr. Hao taught at the Central College of Public Finance (currently known as Central University of Finance and Economics) from July 1988. He then served in the Financial Department of Shandong Finance Institute from April 1991. In October 1999, he was promoted as a professor. Since 2009, he has been a part-time PhD tutor in Shandong University. He served as the deputy head and the deputy secretary to the party committee of the Financial Department of Shandong Finance Institute, academic director of Academic Affairs of Shandong Finance Institute; and vice president of Shandong Economics Institute. He is now the president of Shandong Economics Institute. His research mainly covers financial and monetary theory, and the theory and practice of State-owned economy.



**Mr. Ning Jiming**, Chinese, born in April 1957, a PhD in economics, a professor and PhD tutor. Mr. Ning graduated from Shandong University in 1981. Currently, he is an independent director of the Company, the dean of the School of International Education of Shandong University, and also a member of the Academic Committee of Shandong University, the Academic Degree Committee of the State Council and the Consultant Committee for Master's Degree Education for National Chinese Language International Education of the Ministry of Education. He was Consul of Chinese General Consulate in Toronto (First Level Secretary). His research covers human capital theory, corporate organization and management, public economics and theories of linguistic economy.



# Directors, Supervisors and Senior Management (Continued)



**Mr. Yang Jinguan**, Chinese, born in April 1963, is professor in accounting. Mr. Yang graduated from the Accounting Department of Central College of Public Finance initially with a Bachelor's degree in Economics in July 1983 and then with a Master's degree in Economics in July 1988. He is currently an independent director of the Company and the director of the Academic Affairs of Central University of Finance and Economics. He is also a director of China Certified Tax Agents Association, an executive director of China Institute of Internal Audit, a member of China Accounting Society and a non-practicing member of Chinese Institute of Certified Public Accountants (non-practicing CPA in China). He served as the general secretary to the party committee of the Accounting School of Central University of Finance and Economics, vice dean of the Accounting School of Central University of Finance and Economics, an independent director of Beijing Chemical No. 2 Co., Ltd., Ningxia Dayuan Chemical Co., Ltd. and Hebei Lingyun Industry Co., Ltd., a CPA in Zhonghui Certified Public Accountants Limited and Tin Wha CPAs, Beijing. His research covers theory and practice of financial accounting, and theory and practice of management accounting.

## SUPERVISORS



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



**Mr. Peng Xingyu**, Chinese, born in February 1962, is a Chinese Certified Public Accountant and a senior accountant. He graduated from Wuhan University with a Master's degree in Economics. He is currently a supervisor of the Company and chief auditor of China Huadian. He is also a supervisor of Huadian Coal and a director of Huadian Fujian Power Generation Co., Ltd.. Mr Peng had worked at Huazhong Electric Power Management Bureau, China Huazhong Electric Power Group Company and Hubei Electric Power Company in which he was engaged in operation and financial assets management, and successively acted as the deputy director and director of the operation department and finance department, the head of the Financial Assets Department and the Finance and Operation Department, deputy chief accountant and chief accountant. He has 28 years' experience in the fields of power finance, assets, corporate operation and capital operation.



**Ms. Zheng Feixue**, Chinese, born in November 1955, a senior political engineer, graduated from the Northeast Electricity College majoring in power plant and electricity system. She is currently a supervisor of the Company and an investigator of the Shandong Branch of the Company. Ms Zheng started her career in 1982 and used to work at Zouxian Power Plant and Shiliquan Plant. She has 27 years' experience in electricity generation and management.



# Directors, Supervisors and Senior Management (Continued)

## COMPANY SECRETARY



**Mr. Zhou Lianqing**, Chinese, born in November 1960, is a senior engineer and a graduate from Shandong University with a Master's degree. He is currently the secretary to the Board of the Company and an associate member of the Hong Kong Institute of Company Secretaries. Mr. Zhou started his working career in 1982. Before joining the Company, Mr. Zhou had worked at the Shandong Xindian Power Plant and Shandong Electric Power Group Corporation. He has 27 years' experience in electric power generation, management, laws and regulations, finance, investor relations and securities management.

## SENIOR MANAGEMENT



**Mr. Wang Wenqi**, Chinese, born in March 1963, is a senior engineer with a Master's degree. He is currently a deputy general manager of the Company, the vice chairman of Sichuan Luzhou Chuannan Power Generation Company Limited as well as a director of Huadian Coal and CHD Power Plant Operation Company Limited. Mr. Wang graduated from Baylor University in United States of America. He has 27 years' experience in electric power examination, research, management and securities finance. Before joining the Company, Mr. Wang had worked at the Shandong Electric Power Science and Research Institute and Shandong Electric Power Group Corporation.



**Mr. Wang Hui**, Chinese, born in January 1964, who holds a Master's degree, is currently serving as a Deputy General Manager of the Company, the general manager of Sichuan Huadian Luding Hydropower Company Limited as well as a director of Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited and Hudian Jinshajiang Upstream Hydropower Development Co. Ltd.. Mr. Wang graduated from Tsinghua University in Beijing and started his career in 1985, having 24 years' experience in hydropower generation design, infrastructure, production, operation and management. Before joining the Company, Mr. Wang successively served in Qinghai Longyangxia No.4 Engineering Bureau of the Ministry of Hydraulic and Electric Engineering, Qinghai Lijiaxia No.4 Engineering Bureau project office of the Ministry of Hydraulic and Electric Engineering, Comprehensive Office Of Hydropower Development Department of the Ministry of Energy, Hydropower Development Section of Hydropower and Agriculture Electricity Department of the Ministry of Power, Hydropower Development Section of Hydropower Department of State Electric Power Corporation, New Energy Section of State Electric Power Corporation, Quality and Technology Section of Power Department of State Electric Power Corporation, Hydro Power Section of Power Department of State Electric Power Corporation and Technical Section of Engineering Technology Department of China Huadian.

## Directors, Supervisors and Senior Management (Continued)



**Mr. Peng Guoquan**, Chinese, born in October 1966, a senior engineer with a Master's degree, is currently a deputy general manager of the Company and a director of China Huadian Group New Energy Development Company Limited ("Huadian New Energy"). Mr. Peng graduated from Huazhong University of Science and Technology, majoring in thermal energy and power. Mr. Peng has 20 years' experience in power generation and management. Before joining in the Company, Mr. Peng had served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Company Limited.



**Mr. Xing Shibang**, Chinese, born in June 1960, a senior engineer with Master's degree, is currently the deputy general manager of the Company. Mr. Xing graduated from Xi'an Jiaotong University majoring in Business Administration in 2005 after his graduation from Shandong Polytechnic University (now known as Shandong University) with a Bachelor's degree in 1982. Mr. Xing has 28 years' experience in power generation, operation and management. Mr. Xing had served as electricity operating director and director of Power Generation Department of Shiliquan Plant, the head of Production Department of Huadian Power International Corporation Limited, factory manager of Laicheng Plant and general manager of Huadian Weifang Power Generation Company Limited.



**Mr. Chen Cunlai**, Chinese, born in November 1962, a Master's degree holder, senior economist and senior accountant, is currently serving as the financial controller of the Company, chairman of the supervisory committee of Ningxia Power Generation (Group) Company Limited as well as a director of China Huadian Finance Corporation Limited ("Huadian Finance"). Mr. Chen graduated from North China Electricity Power University majoring in Business Administration in 2001. Mr. Chen has 28 years' experience in power generation, operation management and financial management. Mr. Chen had served as director of Planning and Budgeting Department, deputy chief economist, deputy chief accountant and assistant to factory manager of Zouxian Plant. He had also served as the head of Supervision & Audit Department, the head of HR Administration Department, deputy chief accountant and the head of Financial Department of Huadian Power International Corporation Limited.



**Mr. Xie Yun**, Chinese, born in November 1963, a senior engineer, graduated from Thermal Engineering Department of Tsinghua University with a Bachelor's degree. He is currently the chief engineer of the Company. Before joining the Company, Mr. Xie successively served in the Huabei Electricity Research Institute, Safe Production Department of the Ministry of Power, Generation and Transmission Operation Department of State Electric Power Corporation and Production Operation Department of China Huadian. He has 23 years' work experience in scientific research, production and management of electric power.

# Management Discussion and Analysis

## (1) MACROECONOMIC CONDITIONS

According to the relevant information and statistics, the gross domestic product (“GDP”) of the PRC in 2009 amounted to RMB33,535.3 billion, representing a year-on-year increase of 8.7% over 2008. Power consumption of the whole society totaled 36,430 million MWh, representing an increase of 5.96% over 2008, of which the consumption of the primary, secondary and tertiary industries accounted for 947 million MWh, 26,993 million MWh and 3,921 million MWh, respectively, representing a year-on-year increase of 7.86%, 4.15% and 12.11%, respectively.

Currently, the Company’s power generating units in operation or under construction are located in Shandong, Sichuan, Ningxia, Anhui, Henan, Hebei, Zhejiang and Inner Mongolia Provinces/Autonomous Regions, which are regions with fast-growing economy and considerable GDP growth in recent years. Based on comparable prices, the GDP growth rates of Shandong, Sichuan, Ningxia, Anhui, Henan, Hebei, Zhejiang and Inner Mongolia Provinces/Autonomous Regions in 2009 reached 11.9%, 14.5%, 11.6%, 12.9%, 10.7%, 10.0%, 8.9% and 16.9%, respectively. Their GDP growth rates outperformed the national average by 3.2, 5.8, 2.9, 4.2, 2.0, 1.3, 0.2 and 8.2 percentage points, respectively. Among which Shandong Province has recorded double-digit economic growth for several consecutive years.

## (2) TURNOVER AND PROFIT

In 2009, the Group strengthened the management, strove for planned output, optimized dispatch and achieved a considerable increase in the volume of power generation. The total volume of electricity sold by the Group for the year was 99.95 million MWh, representing an increase of approximately 10.32% (or an increase of approximately 6.76% in the volume of power sold in accordance with domestic announcement scope) over 2008. Turnover for the year amounted to RMB36,450 million, representing an increase of approximately 21.51% over 2008. Profit attributable to equity shareholders of the Company amounted to RMB1,157 million. Earnings per share were RMB0.19. The increase in turnover was mainly due to the effect of the growth in volume of electricity sold and the two upward adjustments to on-grid tariff in 2008.

## (3) OPERATING EXPENSES

In 2009, the operating expenses of the Group amounted to RMB32,178 million, representing an increase of approximately 5.13% over 2008. This was mainly attributable to the effect of the newly acquired power enterprises and the commencement of operation of new generating units.

The principal contribution to the operating expenses of the Group was fuel costs, which amounted to RMB22,621 million in 2009, accounting for approximately 70.30% of the Group’s operating expenses and representing a decrease of approximately 0.17% from 2008. This was mainly due to the combined effects of the decrease in coal prices and the increase in power generation.

Depreciation and amortisation expenses of the Group amounted to RMB4,120 million in 2009, representing an increase of approximately 12.30% over 2008. This was mainly due to the effect of the increase in newly acquired power enterprises and the commencement of operation of new generating units.

The major overhaul and repair and maintenance expenses of the Group increased to RMB1,085 million in 2009, representing an increase of approximately 27.26% over 2008. This was mainly due to the effect of the increase in newly acquired power enterprises and the commencement of operation of new generating units.

Personnel costs of the Group amounted to RMB1,765 million in 2009, representing an increase of approximately 16.84% over 2008, mainly due to the increase in staff arising from the newly acquired power enterprises and the commencement of operation of new generating units.

Administrative expenses amounted to RMB1,117 million in 2009, representing an increase of approximately 14.86% over 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.

Sales related taxes amounted to RMB242 million in 2009, representing an increase of approximately 17.73% over 2008, mainly due to the increase in turnover.

Other operating costs amounted to RMB1,228 million, representing an increase of approximately 66.51% over 2008. This was mainly attributable to the newly acquired power enterprises.

# Management Discussion and Analysis (Continued)

## (4) FINANCE COSTS

Net finance costs of the Group in 2009 amounted to RMB2,948 million, representing an increase of approximately 4.92% over 2008. This was mainly attributable to the effect of the newly acquired power enterprises and the finance costs of new generating units being charged in income statement since the commencement of operation.

## (5) PLEDGE OF ASSETS

As at 31 December 2009, the Company's subsidiaries, including Guang'an Company, Lingwu Company, Wuhu Company, Zagunao Hydroelectric Company, Xinxiang Company, Suzhou Company and Qingdao Company, have altogether pledged their income stream in respect of the sale of electricity or trade receivables for sale of electricity as security for loans amounting to approximately RMB13,666 million.

## (6) INDEBTEDNESS

As at 31 December 2009, the loans of the Group amounted to RMB63,797 million, of which loans denominated in US dollars amounted to US\$177 million and loans denominated in EUR amounted to EUR16 million. The liabilities to assets ratio was 78.96%, 2.38 percentage points lower than that in 2008. This was mainly attributable to the non-public issuance of A shares and the profit recorded by the Group in 2009. Loans of the Group were mainly floating rate loans. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB21,357 million, and long-term borrowings due after one year amounted to approximately RMB42,439 million. In addition, the closing balance of short-term debenture payables of the Group amounted to approximately RMB3,003 million and the medium-term notes payables amounted to approximately RMB2,971 million.

## (7) CONTINGENT LIABILITIES

As at 31 December 2009, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to approximately RMB189 million to Sichuan Huayingshan Longtan Coal Power Company Limited, an associate of Guang'an Company. Save as disclosed above, the Group had no other material contingent liabilities.

## (8) CASH AND CASH EQUIVALENTS

As at 31 December 2009, the Group had cash and cash equivalents of approximately RMB1,242 million.

## (9) CASH FLOW ANALYSIS

In 2009, the net decrease in consolidated cash and cash equivalents of the Group amounted to approximately RMB627 million. Of which, the net cash inflow from operating activities amounted to approximately RMB3,094 million (2008 net cash outflow: RMB233 million), mainly due to the operating profit recorded by the Group in 2009; the net cash outflow used in investing activities amounted to approximately RMB17,292 million (2008: RMB11,392 million), mainly due to the increase in projects under construction and external investment of the Group in 2009 as compared to 2008; the net cash inflow generated from financing activities amounted to approximately RMB13,571 million (2008: RMB12,121 million), mainly due to the non-public issuance of A shares and increased debt financing of the Group in 2009.

## (10) PRODUCTION, OPERATION AND SAFETY

In 2009, the equivalent availability factor of the generating units of the Group was approximately 92.76%; the equivalent forced suspension rate was approximately 0.56%.



# Management Discussion and Analysis (Continued)

In 2009, the Group maintained its operational safety at a decent level. For the year ended 31 December 2009, all power plants of the Group had achieved operational safety throughout the year. In particular, Tengzhou Company had achieved over 4,400 consecutive days of accident-free production; Qingdao Company and Zibo Company had achieved over 4,100 consecutive days of accident-free production; Weifang Company and Laicheng Plant had achieved over 3,600 consecutive days of accident-free production; Zouxian Plant had achieved over 3,300 consecutive days of accident-free production; Shiliquan Plant, Shijiazhuang Thermal Power Company and Hebei Hydropower Company had achieved over 2,000 consecutive days of accident-free production.

In 2009, a total of 22 major overhauls and 61 minor overhauls were undertaken in respect of the generating units of the Group and the planned suspension rate was approximately 6.89%.

## (11) ENERGY SAVING AND ENVIRONMENTAL PROTECTION

In 2009, the Group continued to strengthen its effort on environmental protection and proactively built itself as a resource-conservation and environmental friendly enterprise. According to the emission reduction data approved by the Ministry of Environmental Protection of the PRC, the Group's average emission of sulphur dioxide achieved a year-on-year decrease of 1.25 g/KWh. As at the end of 2009, a total of 20,815MW generating units controlled by the Group were equipped with desulphurisation facilities. As at the date hereof, there were 3 projects under desulphurisation technological renovation, which are expected to put into operation in May 2010 and December 2010, respectively. By then, all coal-fired generating units of the Group will be equipped with desulphurisation facilities, achieving a 100% rate of desulphurisation facility installation.

## (12) ISSUE OF 2009 FIRST AND SECOND TRANCHE OF MEDIUM-TERM NOTES

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

## (13) ISSUE OF 2009 FIRST AND SECOND TRANCHE OF SHORT-TERM DEBENTURES

The Company completed issue of the first and second tranche of short-term debentures for 2009 on 13 November 2009. Please refer to paragraph (6) under Significant Events of the Directors Report in this annual report.

## (14) INVESTMENT IN COAL MINES

As at the date of this report, the Company acquired 70% equity interest in Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited at a consideration of RMB398 million and 70% equity interest in Shanxi Dongyi Zhonghou Coal Company Limited at a consideration of RMB363 million through Shanxi Maohua Energy Investment Company Limited, a wholly-owned subsidiary of the Company. In addition, the Group will actively increase investment in the coal industry in Shanxi Province and vigorously participate in the coal resources consolidation in Shanxi to secure additional coal resources following the above acquisitions. Furthermore, the Group invested RMB600 million in Ningxia Yinxing Coal Company Limited to acquire its 45% equity interest. The Group acquired 35% equity interest in Inner Mongolia Fucheng Mining Co., Ltd. at a consideration of RMB498 million and 25% equity interest in Inner Mongolia Ertuoqeqianqi Changcheng Mine Co., Ltd., at a consideration of RMB180 million. The aforesaid investments played a positive role in the Company's expansion into the upstream industry and securing coal supply of the Company's power plants.

For details, please refer to announcements of the Company dated 6 July 2009, 21 September 2009 and 3 November 2009.

# Directors Report

The board of the Company (the "Board") have pleasure in submitting the annual report together with the audited financial statements of the Group for the year ended 31 December 2009.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in the generation and sale of electricity and heat. All electricity generated is supplied to the grid companies where the plants are located. As the Group 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 were included in the above mentioned financial statements. The profit of the Group for the year ended 31 December 2009 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 59 to 118 of the annual report.

## STATUTORY SURPLUS RESERVE

According to the Company's Articles of Association (the "Articles of Association"), the Company is required to transfer at least 10% (at the discretion of the Board) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after the issue of new shares is not less than 25% of the registered capital. On 26 March 2010, the Board resolved to transfer 10% of the annual profit after tax as determined under the PRC accounting rules and regulations, amounting to approximately RMB13,404,000 (2008: no profit was transferred to the statutory surplus reserve), to the statutory surplus reserve.

## DIVIDENDS

Pursuant to a resolution passed at the Board meeting held on 26 March 2010, final dividend of RMB236,987,947 will be payable to shareholders for the financial year ended 31 December 2009 (on the basis of total share capital of 6,771,084,200 shares of the Company as at 31 December 2009), subject to the approval of the shareholders in the upcoming annual general meeting.

## RESOLUTIONS PASSED AT THE BOARD MEETINGS IN 2009

In 2009, the Board convened a total of 8 board meetings, details of which are summarized as follows:

1. The 7th meeting of the fifth session of the Board was convened on 8 April 2009, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities and Securities Times on 9 April 2009.
2. The 8th meeting of the fifth session of the Board was held on 28 April 2009 at the Company's conference room at 14 Jingsan Road, Jinan City, Shandong Province. Mr. Yun Gongmin, the Chairman of the Company, presided over the meeting, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was valid and effective. Mr. Li Xiaopeng, Mr. Peng Xingyu and Ms. Zheng Feixue, supervisors of the Company, attended the meeting as non-voting participants. At the meeting, the analysis on operation of the Company for the 1st Quarter of 2009 was reported; it was agreed that there was no change to the Explanation to the Internal Control System and the relevant Statement of the Management (which was approved by the Board in 2008) during the period from 8 April 2009 to 28 April 2009; the 2009 First Quarterly Report prepared in accordance with the requirements of China Securities Regulatory Commission ("CSRC") and China Accounting Standards for Business Enterprises was considered and approved, and Secretary to the Board was authorized to make, if thought fit, amendments and timely disclosure subject to relevant regulations of Listing Rules of Shanghai Stock Exchange and the Hong Kong Stock Exchange.

## Directors Report (Continued)

3. The 9th meeting of the fifth session of the Board was convened on 2 June 2009, announcement of the resolutions in respect of which was published in China Securities Journal, Shanghai Securities and Securities Times on 3 June 2009.
4. The 10th meeting of the fifth session of the Board was convened on 31 July 2009 at the Company's conference room at No. 2 Xuanwumennei Street, Xicheng District, Beijing. Mr. Yun Gongmin, the Chairman of the Company, presided over the meeting, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was valid and effective. Mr. Li Xiaopeng Chairman of Supervisory Committee, and Mr. Peng Xingyu and Ms. Zheng Feixue, both supervisors of the Company, attended the meeting as non-voting participants. At the meeting, the Proposal for Listing and Trading of the Tradable Shares Subject to Moratorium was considered and approved; it also approved the submission of relevant application materials to the Shanghai Stock Exchange in relation to listing and trading of the shares held by the shareholders of the Company, China Huadian and Shandong International Trust and Investment Corporation, whose moratorium have expired (including but not limited to Application Form for Listing and Trading of the Tradable Shares Subject to Moratorium, Announcement on Listing and Trading of the Tradable Shares Subject to Moratorium, and Opinion of the Sponsors), and the Secretary to the Board and other related departments were authorized to deal with relevant matters.
5. The 11th meeting of the fifth session of the Board was convened on 11 August 2009, the announcement of the resolutions in respect of which was published in China Securities Journal, Shanghai Securities and Securities Times on 12 August 2009.
6. The 12th meeting of the fifth session of the Board was held on 23 October 2009 at China Huadian Tower at No. 2 Xuanwumennei Street, Xicheng District, Beijing. Mr. Yun Gongmin, the Chairman of the Company, presided over the meeting, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was valid and effective. Mr. Li Xiaopeng, Chairman of Supervisory Committee, and Mr. Peng Xingyu and Ms. Zheng Feixue, both supervisors of the Company, attended the meeting as non-voting participants. At the meeting, the operation status of the Company for the first 3 quarters was reported; the 2009 Third Quarterly Report prepared in accordance with the requirements of CSRC and China Accounting Standards for Business Enterprises was considered and approved, and Secretary to the Board was authorized to make, if thought fit, amendments and timely disclosure subject to relevant regulations of Listing Rules of Shanghai Stock Exchange and the Hong Kong Stock Exchange. The resolution on the connected transaction in respect of capital increase in Huadian Coal and the resolution on the connected transactions in respect of the lease of Huadian Tower by the Company as head office and property management in respect thereof were considered and approved at the meeting.
7. The 13th meeting of the fifth session of the Board was convened on 5 November 2009 at the China Huadian Tower at No. 2 Xuanwumennei Street, Xicheng District, Beijing. Mr. Yun Gongmin, the Chairman of the Company, presided over the meeting, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was valid and effective. Mr. Li Xiaopeng, Chairman of Supervisory Committee, and Mr. Peng Xingyu and Ms. Zheng Feixue, both supervisors of the Company, attended the meeting as non-voting participants. The investment plan for the coal projects of Shanxi Maohua Energy Investment Company Limited was approved at the meeting.
8. The 14th meeting of the fifth session of the Board was convened on 22 December 2009, announcement of the resolutions in respect of which was published in China Securities Journal, Shanghai Securities and Securities Times on 23 December 2009.

Details of the relevant transactions mentioned above which were proceeded with or completed in 2009 are set out in the section headed "Significant Events" of this annual report.

# Directors Report (Continued)

## **SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES**

Particulars of the Company's subsidiaries, associates and jointly controlled entities as at 31 December 2009 are set out in notes 20, 21 and 22 respectively to the financial statements prepared in accordance with IFRSs included in this annual report.

## **BANK LOANS AND OTHER BORROWINGS**

Details of bank loans and other borrowings of the Group and the Company as at 31 December 2009 are set out in note 29 to the financial statements prepared in accordance with IFRSs included in this annual report.

## **INTEREST CAPITALISED**

Details relating to the interest capitalised by the Group during the year 2009 are set out in note 7 to the financial statements prepared in accordance with IFRSs included in this annual report.

## **PROPERTY, PLANT AND EQUIPMENT**

Details relating to movements in property, plant and equipment of the Group and those of the Company during the year 2009 are set out in note 16 to the financial statements prepared in accordance with IFRSs included in this annual report.

## **RESERVES**

Details relating to movements in reserves of the Group and the Company for the year ended 31 December 2009 are set out in the consolidated statement of changes in shareholders' equity in the financial statements prepared and note 33(a) to the financial statements prepared in accordance with IFRSs included in this annual report respectively.

## **DONATIONS**

During the year of 2009, the Group made donations for charitable purposes in an aggregate amount of approximately RMB4,730,000 (2008: RMB11,199,245).

## **EMPLOYEES' RETIREMENT PLANS**

Details of the employees' retirement plans of the Group are set out in note 35 to the financial statements prepared in accordance with IFRSs included in this annual report.

## **EMPLOYEES' MEDICAL INSURANCE**

During 2009, there was no change in employees' medical insurance of the Group as compared with that of 2008. The Group anticipates that implementation of the above medical insurance will not have any significant impact on the business operation and financial position of the Group. Apart from the above contributions, the Group is not required to pay any other medical expenses for its staff.

## **PRE-EMPTIVE RIGHTS**

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



## Directors Report (Continued)

### SHARE CAPITAL

Details of the share capital of the Company for the year 2009 and as at 31 December 2009 are set out in the Company's statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRSs and note 33(c) to the financial statements prepared in accordance with IFRSs included in this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

During the financial year of 2009, details regarding the percentages of the Group's sales and purchases attributable to its major customers and major suppliers, respectively, are as follows:

	Approximate Percentage in the Group's	
	Sales	Purchases
The largest customer	55.40%	
The five largest customers combined	81.64%	
The largest supplier		12.75%
The five largest suppliers combined		24.71%

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

### SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, each of the following persons, not being a Director, supervisor of the Company ("Supervisor"), chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 31 December 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 31 December 2009, interested in 5% or more of any class of the then issued share capital of the Company, or was, as at 31 December 2009, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules")) of the Company:

Name of shareholder	Class of shares	Number of shares held	Equity as at 31 December 2009		
			Approximate percentage shareholding in the Company's total issued share capital	Approximate percentage shareholding in the Company's total issued A shares	Approximate percentage shareholding in the Company's total issued H shares
China Huadian	A shares	3,111,061,853	45.95%	58.26%	—
	H shares	85,862,000 (L) (Note 1)	1.27%	—	6.00%
Shandong International Trust Corporation	A shares	800,766,729	11.83%	15.00%	—
JP Morgan Chase & Co. (Note 2)	H shares	101,195,000 (L)	1.49%	—	7.07%
		450,000 (S)	0.01%	—	0.03%
		50,678,000 (P)	0.75%	—	3.54%
Allianz SE (Note 2)	H shares	91,129,000 (L)	1.35%	—	6.37%

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

# Directors Report (Continued)

## Notes:

1. H shares were held in name of HKSCC Nominees Limited and directly held through its wholly-owned subsidiary, China Huadian Hong Kong Co., Ltd..
2. H shares were held in name of HKSCC Nominees Limited and/or held directly and/or indirectly through a series of controlled corporations.

Save as disclosed above and so far as the Directors are aware, as at 31 December 2009, no other person (other than the Directors, Supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Listing Rules) of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

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

## DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, Supervisors and senior management of the Company for the financial year ended 31 December 2009. All Directors and Supervisors are currently serving a term of three years, renewable upon re-election and re-appointment every three years.

Name	Position in the Company	Changes
Yun Gongmin	Chairman, Non-executive Director	Appointed at the AGM held on 30 June 2008
Chen Feihu	Vice Chairman, Non-executive Director	Reappointed at the AGM held on 30 June 2008
Chen Dianlu	Vice Chairman, Non-executive Director	Appointed at the EGM held on 22 December 2009
Meng Fanli*	Vice Chairman, Non-executive Director	Appointed at the AGM held on 30 June 2008
Chen Jianhua	Executive Director, General Manager	Reappointed upon election at the AGM held on 2 June 2008
Wang Yingli	Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Chen Bin	Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Zhong Tonglin	Executive Director, Deputy General Manager	Reappointed upon election at the AGM held on 30 June 2008
Chu Yu	Non-executive Director	Appointed at the AGM held on 30 June 2008
Wang Yuesheng	Independent Non-executive Director	Appointed at the AGM held on 2 June 2009
Hao Shuchen	Independent Non-executive Director	Appointed at the AGM held on 2 June 2009
Ning Jiming	Independent Non-executive Director	Appointed at the AGM held on 2 June 2009
Yang Jinguan	Independent Non-executive Director	Appointed at the AGM held on 2 June 2009
Zhao Jinghua*	Independent Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008

## Directors Report (Continued)

Name	Position in the Company	Changes
Ding Huiping*	Independent Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Wang Chuanshun*	Independent Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Hu Yuanmu*	Independent Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Li Xiaopeng	Chairman of the Supervisory Committee	Appointed at the AGM held on 30 June 2008
Peng Xingyu	Supervisor	Appointed at the AGM held on 30 June 2008
Zheng Feixue	Supervisor	Reappointed upon election at the AGM held on 30 June 2008
Zhou Lianqing	Secretary to the Board	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Wang Wenqi	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Xing Shibang	Deputy General Manager	Appointed on the ninth meeting of the fifth session of the Board held on 2 June 2009
Wang Hui	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Peng Guoquan	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Chen Cunlai	Chief Accountant	Appointed on the ninth meeting of the fifth session of the Board held on 2 June 2009
Xie Yun	Chief Engineer	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Zhu Fangxin*	Chief Accountant	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Bai Hua*	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008

\* *Mr. Meng Fanli was no longer Vice Chairman of the Company with effect from 22 December 2009; Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu were no longer Independent Non-executive Directors of the Company with effect from 2 June 2009 (the conclusion of the 2008 Annual General Meeting); Mr. Zhu Fangxin was no longer Chief Accountant of the Company, with effect from 2 June 2009 (the conclusion of the ninth meeting of the fifth session of Board). Mr. Bai Hua was no longer Deputy General Manager of the Company with effect from 2 June 2009 (the conclusion of the ninth Meeting of the fifth session of Board).*

The Directors' and Supervisors' remunerations for the year ended 31 December 2009 are set out in note 9 of the financial statements prepared in accordance with IFRSs included in this annual report.

The biographical details of the existing Directors, Supervisors and members of senior management of the Company, including essentially the particulars required under paragraph 12 of Appendix 16 to the Hong Kong Listing Rules (if and as applicable and appropriate), are set out on pages 18 to 24 in this annual report.

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

# Directors Report (Continued)

## SHAREHOLDINGS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

As at 31 December 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 debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO) and was required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules (which for this purpose shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

During the year of 2009 and as at 31 December 2009, none of the Directors, Supervisors, chief executives or members of senior management of the Company or any of their respective spouses or children under 18 years of age were granted any right, and the Company (or its subsidiaries, holding company or subsidiaries of its holding company) had not made and was not a party to any arrangement enabling any of them, to subscribe for any share capital or debt securities of the Company or any other body corporate.

## DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

## SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

## MANAGEMENT CONTRACT

In 2009, there was no management or administration contract in respect of all or substantial part of the Company's business.

## SIGNIFICANT EVENTS

Significant events of the Company during the period from 1 January 2009 to the date of this report are as follows:

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

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

Please refer to announcement of the Company dated 19 March 2009 for details.



## Directors Report (Continued)

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

Please refer to announcement of the Company dated 27 March 2009 for details.

### (2) Non-public issue of A Shares

On 1 December 2009, the Company issued 750 million new A Shares to ten target investors (including China Huadian, the controlling shareholder of the Company) for their subscription. Subscription price was RMB4.70 per new A share. The issue raised net proceeds of RMB3,453.7 million in total.

As for details, please refer to the Company’s announcement dated 8 April 2009, circular dated 15 April 2009, Announcement on Voting Results of 2008 AGM dated 2 June 2009, Announcement on the Approval of the Non-Public Issue of A Shares Received from the Issue Review Committee of CSRC dated 7 September 2009, Announcement on the Approval of the Non-Public Issue of A Shares Received from CSRC dated 15 October 2009, and Announcement on the Issue Results of Non-Public Issue of Shares and Share Movements as well as Announcement in Relation to Entering into the Deposit and Supervision Agreement on Special Accounts for the Proceeds dated 2 December 2009.

### (3) Appointments and Resignations of Directors

In accordance with the relevant regulations of CSRC, the consecutive terms of office of independent non-executive directors of listed companies shall not be more than six years. Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu, the former Independent Non-Executive Directors of the Company, resigned their positions with effect from the conclusion of the 2008 AGM on 2 June 2009. Mr. Wang Yuesheng, Mr. Hao Shuchen, Mr. Ning Jiming and Mr. Yang Jinguan were appointed as Independent Non-Executive Directors of the Company with effect from the conclusion of AGM 2008 on 2 June 2009.

As for details, please refer to the circular on 2008 AGM dated 15 April 2009, announcement on voting results of 2008 AGM and announcement on appointments and resignations of Independent Non-Executive Directors dated 2 June 2009.

Mr. Meng Fanli resigned from the position of Vice Chairman with effect from 22 December 2009 due to work reallocation. Mr. Chen Dianlu was appointed as the Non-executive Director and Vice Chairman of the Company with effect from the date of conclusion of the EGM, which was held on 22 December 2009.

As for details, please refer to the announcement of the resolution of the 11th meeting of the fifth Board dated 11 August 2009, circular on the EGM dated 6 November 2009, announcement on the voting results of the EGM dated 22 December 2009 and announcement on appointment and resignation of Directors.

### (4) Amendment to the Articles of Association

At 2008 AGM held on 2 June 2009, amendments to Articles of Association of the Company were approved by shareholders. On 21 July 2009, official approval was obtained from State-Owned Asset Supervision and Administration Commission of the State Council (“SASAC”) in respect of the amendments to Articles of Association of the Company.

As for details, please refer to the announcement dated 14 April 2009, circular dated 15 April 2009 and announcement on the voting results of 2008 AGM dated 2 June 2009.

Upon completion of the non-public issue of 750 million A Shares on 1 December 2009, amendments were made to relevant contents on registered capital in the Articles of Association of the Company, which were approved by SASAC on 26 January 2010.

# Directors Report (Continued)

## (5) Change of office address

Office address of the Company has been changed to No. 2 Xuanwumennei Street, Xicheng District, Beijing and the Postal Code is 100031.

Please refer to the announcement of the Company dated 22 June 2009 for details.

## (6) Issue of 2009 First and Second Tranches of Short-term Debentures

The Company completed the issue of 2009 first and second tranches of short-term debentures on 13 November 2009. The first tranche of short-term debentures was issued with an issuance size of RMB1.5 billion, a maturity period of 365 days, at a par value of RMB100 each and a coupon rate of 2.98%. The second tranche of short-term debentures were issued with an issuance size of RMB1.5 billion, a maturity period of 270 days, at a par value of RMB100 each and a coupon rate of 2.80%.

Please refer to the announcement of the Company dated 13 November 2009 for details.

## (7) Adjustment of Electricity Tariff

NDRC issued a notice announcing that with effect from 20 November 2009, tariffs would be adjusted appropriately with retail tariff nationwide being raised by an average of RMB2.8 cents per KWh for the purposes of resolving the inconsistencies of tariffs, rationalising the tariff structure and pushing ahead the development of renewable energy. The tariff adjustments standards differ in various regions and industries. Calculated on the basis of weighted average installed capacity, the on-grid tariffs of the Group would have a light increase after the tariff adjustments.

Please refer to announcement of the Company dated 26 November 2009 for details.

## (8) Extraordinary General Meetings

The Company held an EGM on 22 December 2009. As approved at the meeting, China Huadian and its subsidiaries (excluding the Group) would provide to the Company and its subsidiaries an annual average loan balance not exceeding RMB16 billion for each of the financial year from 2009 to 2011; Shandong International Trust Corporation would provide to the Company and its subsidiaries an annual average loan balance not exceeding RMB8 billion for the each of the financial year from 2009 to 2011; and Mr. Chen Dianlu was elected as the Director of the Company.

As for details, please refer to the circular and EGM notice dated 6 November 2009 as well as the announcement on voting results of EGM dated 22 December 2009.

## CONNECTED TRANSACTIONS

Connected transactions, as defined in the Hong Kong Listing Rules, entered into by the Group during the period from 1 January 2009 to the date of this report are as follows:

### (1) Capital Increase in 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 would increase from RMB498 million to RMB698 million, and the Company would remain interested in 20% of the enlarged registered capital of Huadian New Energy.

Details are set out in the Company's announcement dated 15 January 2009.

## Directors Report (Continued)

### (2) Project contracts with Huadian Engineering

On 20 February 2009, Lingwu Company, a non-wholly-owned subsidiary of the Company engaged Huadian Engineering, a subsidiary of China Huadian, 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 would be funded by internal resources of Lingwu Company.

On 3 March 2010, Luhua Company engaged Huadian Engineering to provide certain services and perform certain works in respect of the construction of the Desulphurization System and the Pre-desalting 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 was RMB41,400,000, which would be funded by internal resources of Luhua Company.

For details of the aforesaid two transactions, please refer to the announcement of the Company dated 20 February 2009 and 3 March 2010 respectively.

### (3) 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 agreed to subscribe in cash, at a subscription price of not less than RMB4.50 per share, 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 was the same as the subscription price of investors subscribing for the new A shares under the placing. Eventually, China Huadian subscribed in cash for 150,000,000 new A shares at a subscription price of RMB4.7 per share with a total subscription amount of RMB705 million. Upon completion of the subscription, China Huadian holds in aggregate 3,196,923,853 shares (including 3,111,061,853 A shares and 85,862,000 H shares), representing 47.21% 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, the announcement dated 2 June 2009 in relation to voting results of the 2008 annual general meeting and the announcement dated 2 December 2009 in relation to the issue results of the non-public issue of shares and share movements.

### (4) Equipment Purchase Agreement with Guodian Nanjing Automation Co., Ltd. ("SAC")

On 1 September 2009, the Group entered into several Equipment Purchase Agreements with SAC, a non-wholly owned subsidiary of China Huadian, pursuant to which, the Group would purchase and SAC would sell new steam water sampling devices and new boiler make-up water ultrafiltration and reverse osmosis equipments, for use in connection with the construction of Zibo Expansion Project. The total consideration under the Equipment Purchase Agreement was RMB18,977,000.

On 3 March 2010, the Company entered into the Equipment Purchase Agreement with SAC, pursuant to which the Group would purchase transducers from SAC, which will be used in the 69 high voltage auxiliary machines of the 10 power generation enterprises wholly-owned or controlled by the Company. The total consideration under the Equipment Purchase Agreement is RMB76,790,000.

For details of the aforesaid two transactions, please refer to the announcement of the Company dated 1 September 2009 and 3 March 2010 respectively.

# Directors Report (Continued)

## (5) Capital Increase in Huadian Coal

On 24 December 2009, the Company entered into the Capital Increase Agreement with Huadian Coal, a non-wholly owned subsidiary of China Huadian, pursuant to which, the Company and its subsidiary took part in the capital increase in Huadian Coal by contributing RMB214.7 million in cash from its own funds. Upon completion of the Capital Increase Agreement, the Company and its subsidiary would still be interested in 21.47% of the registered capital of Huadian Coal.

As for details, please refer to the announcement of the Company dated 24 December 2009.

## CONTINUING CONNECTED TRANSACTIONS

Pursuant to the Hong Kong Listing Rules, the continuing connected transactions incurred by the Group for the year ended 31 December 2009 are as follows:

### (1) Continuing connected transactions with Huadian Coal

On 15 May 2009, the Company and Huadian Coal, a non-wholly owned subsidiary of China Huadian, 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 had 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.

### (2) Continuing Connected Transactions in Relation to Lease of Office Building and Property Management

On 9 December 2009, the Company entered into the Lease Agreement with Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Real Estate"), a non-wholly owned subsidiary of China Huadian, pursuant to which the Company would lease some properties in Huadian Tower from Anfu Real Estate for three years commencing from 1 April 2009 to 31 March 2012, with the same annual rentals of RMB49,001,348.55.

On 9 December 2009, the Company entered into the Property Management Agreement with Huadian Technology & Trade Co., Ltd. ("Huadian Technology & Trade"), pursuant to which Huadian Technology & Trade would provide management services to the properties leased by the Company from Anfu Real Estate for three years commencing from 1 April 2009 to 31 March 2012, with the same annual management fees of RMB7,059,452.40.

Pursuant to the Lease Agreement and Property Management Agreement, the annual amount payable to each of Anfu Real Estate and Huadian Technology & Trade by the Company for the three year from 1 April 2009 to 31 March 2012 in aggregate amounted to approximately RMB 56,060,800.95.

For details, please refer to the announcement of the Company dated 9 December 2009.

### (3) Coal Purchase Framework Agreement with Yanzhou Coal Mining Company Limited ("Yanzhou Coal")

The Company has been purchasing coal from Yanzhou Coal for power generation by Zouxian Plant and other subsidiaries of the Company on a continuing basis. In order to regulate the purchase of coal by the Company, the Company and Yanzhou Coal entered into a coal purchase framework agreement on 23 April 2008. The proposed purchase annual caps should not exceed RMB6 billion, RMB8 billion and RMB8 billion respectively for the period from the date of the Coal Purchase Framework Agreement to 31 December 2008 and for the two financial years ending 31 December 2010.

## Directors Report (Continued)

Zouxian Company is 69% owned by the Company and therefore is a non-wholly owned subsidiary of the Company. As Yanzhou Coal is holding 30% equity interest in Zouxian Company, Yanzhou Coal is a connected person of the Company for the purpose of the Hong Kong Listing Rules and the purchase of coal by the Company from Yanzhou Coal constitutes continuing connected transactions of the Company.

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

### (4) Financial Services Agreement with Huadian Finance

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

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

In 2009, the Company's deposit in Huadian Finance strictly complied with the requirements of the agreement. The Group's daily average deposit balance in Huadian Finance did not exceed the monthly average loan provided by Huadian Finance to the Group and did not exceed RMB1,500,000,000.

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

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

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

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

Wuhu Company is 65% owned by the Company and therefore is a non-wholly owned subsidiary of the Company. As Huainan mining is holding 30% equity interest in Wuhu Company, Huainan Mining is a connected person of the Company for the purpose of the Hong Kong Listing Rules and the purchase of coal by the Company from Huainan Mining constitutes continuing connected transactions of the Company.

For details, please refer to the Company's announcement dated 10 November 2008 and circular dated 13 November 2008.

The auditors to the Company have reviewed the continuing connected transactions No. (1) to No. (5) above (the "Transactions") and issued a letter to the Board confirming that:

- (1) the Transactions have been approved by the Board;
- (2) they were not aware of any indications which would make them believe that such Transactions were not conducted in line with the terms of governing agreements; and
- (3) they were not aware of any matters which would make them believe that the annual aggregate amount of each of the Transactions exceeded the annual cap as disclosed in the announcements of the Company.



# Directors Report (Continued)

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

- (1) the Transactions were entered into by the Company in the ordinary and usual course of the Company's business;
- (2) the terms of the agreement governing the Transactions are no less favorable than those generally available from the independent third party providers with similar procurement scale under similar services;
- (3) the Transactions were conducted under normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole; and
- (4) the annual aggregate amount of Transactions has not exceeded the annual cap as disclosed in the announcements of the Company.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its issued securities ("securities" has the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

## FINANCIAL SUMMARIES

Summaries of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2009 prepared in accordance with IFRSs are set out on page 119.

The Company is not aware of any matter taking place in the year ended 31 December 2009 that would be required to be disclosed under Rules 13.13 to 13.19 of the Listing Rules.

## MATERIAL LITIGATION

During the financial year of 2009, the Group was not involved in any material litigation or arbitration.

## DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2009, none of 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.

## AUDIT COMMITTEE

The Company's Audit Committee has reviewed the annual results of the Company for 2009 and the financial statements prepared under IFRSs for the year ended 31 December 2009.

## AUDITORS

The Company has not changed its auditors in any of the preceding three years. A resolution for the re-appointment of KPMG Huazhen and KPMG as the domestic and international auditors of the Company respectively for financial year of 2010 will be proposed at the forthcoming 2009 Annual General Meeting.

By Order of the Board  
**Yun Gongmin**  
Chairman

Beijing, the PRC  
26 March 2010

# Corporate Governance Report

The codes on corporate governance practices adopted by the Company include, but not limited to, the following documents:

1. Articles of Association;
2. Code on Shareholders' Meetings, Code on Board Practices and Code on Supervisory Committee (as parts of the current Articles of Association of the Company);
3. Working procedures for Audit Committee, Remuneration and Appraisal Committee and Strategic Committee of the Board of the Company;
4. Working Requirements for Independent Directors;
5. Working Requirements for Secretary to the Board;
6. Working Rules for General Manager;
7. Code on the Company's Investment Projects;
8. Management Methods on Raised Proceeds;
9. Management Methods on External Guarantees;
10. Management Rules on Information Disclosure;
11. Management Rules on Investor Relations and Implementation Procedures;
12. Code on Trading in Securities of the Company by Directors (Supervisors) of the Company;
13. Code on Trading in Securities of the Company by Employees of the Company;
14. Management Methods for Affairs of the Board of Directors;
15. Working Rules on Annual Report for the Audit Committee of the Board; and
16. Working Rules on Annual Report for Independent Directors.

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

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

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

- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited\* by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited\* by Employees of the Company, which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Companies, as set out in Appendix 10 to the Hong Kong Listing Rules.

# Corporate Governance Report (Continued)

- In addition to the Audit Committee and the Remuneration and Appraisal Committee, the Company has established the Strategic Committee to stipulate the Working Procedures for the Strategic Committee.
- In the financial year of 2009, a total of 8 Board meetings were held by the Company.
- The Audit Committee comprises five members, including two non-executive Directors and three independent non-executive Directors.

## THE BOARD OF DIRECTORS

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

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

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

<b>Name</b>	<b>Position in the Company</b>
Yun Gongmin	Chairman, Non-executive Director
Chen Feihu	Vice Chairman, Non-executive Director
Chen Dianlu	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
Yang Jinguan	Independent Non-executive Director

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

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

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

# Corporate Governance Report (Continued)

## CHAIRMAN AND GENERAL MANAGER

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

- (1) to preside over general meetings and to convene and preside over the Board meetings;
- (2) to monitor on the implementation of resolutions of the Board meetings;
- (3) to sign securities certificates issued by the Company;
- (4) to sign important documents of the Board and other documents that shall be signed by the legal representative of the Company;
- (5) to exercise the powers as a legal representative; and
- (6) to exercise special disposal powers that are conferred under and in compliance with laws, administrative regulations and in the interests of the Company on matters of the Company in case of force majeure emergencies such as extraordinary and serious natural calamities, and provide post-event reports to the Board and the general meeting.

The General Manager heads the management and is responsible for the daily operation of the Company. With the aid of other executive Directors and management team of each functional department, the General Manager manages the businesses of the Company, including implementation of policies adopted by the Board and reporting to the Board in respect of the overall operation of the Company.

## THE BOARD MEETINGS

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

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

- (1) when proposed by shareholders representing more than 10% voting right;
- (2) when deemed as necessary by the Chairman of the Board;
- (3) when proposed jointly by more than one-third of the Directors;
- (4) when proposed jointly by more than one-half of the independent non-executive Directors;
- (5) when proposed by the Supervisory Committee; or
- (6) when proposed by the General Manager.

# Corporate Governance Report (Continued)

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

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

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

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

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

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

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

Any written resolution not being executed by Directors in accordance with legal procedures, even opined by each Director by other means, shall not come into legal force as a resolution of the Board.

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

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



## Corporate Governance Report (Continued)

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

- (1) to convene the general meetings and report its work to the general meetings;
- (2) to implement the resolutions passed at the general meetings;
- (3) to decide the Company's business plans and investment schemes;
- (4) to formulate the Company's annual budget scheme and budget implementation proposal;
- (5) to formulate the Company's profit distribution plan and loss recovery plan;
- (6) to formulate proposals for increasing or reducing the Company's registered capital and the issue of corporate debentures;
- (7) to draw up plans for repurchase of the Company's shares or proposal for merger, division or dissolution of the Company;
- (8) to determine external investment, assets acquisition, disposal, assets mortgage, trusted finance, connected transactions and other guarantee matters not subject to approval of the general meeting as stipulated by law, administration regulation and Article of Association;
- (9) to determine the establishment of the Company's internal management structure;
- (10) to appoint or dismiss the Company's General Manager and the Secretary to the Board, and pursuant to the General Manager's nominations to appoint or dismiss senior management including the deputy general managers and financial officers of the Company and determine their remuneration, bonus and penalties;
- (11) to formulate the Company's basic management system;
- (12) to formulate proposed amendments to Articles of Association;
- (13) to manage the information disclosure of the Company;
- (14) to propose at general meetings for the appointment or change of accountants conducting auditing for the Company;
- (15) to hear the work report and inspect the work of the General Manager; and
- (16) to exercise any other powers specified in relevant laws and regulations or the Articles of Association and conferred by the shareholders at general meetings.

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

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

- (1) to preside over the production, operation and management of the Company, and to implement resolutions of the Board;
- (2) to formulate development plans, annual production and operation goals, annual financial budget scheme and budget implementation proposal, the Company's profit (after tax) distribution plan and loss recovery plan;

# Corporate Governance Report (Continued)

- (3) to implement the Company's annual business plans and investment schemes;
- (4) to formulate the establishment of the Company's internal management structure;
- (5) to formulate the Company's basic management system;
- (6) to formulate the Company's basic regulations;
- (7) to propose to appoint or dismiss the Company's deputy general manager and financial officers;
- (8) to appoint or dismiss the Company's senior management other than those to be appointed or dismissed by the Board;
- (9) to determine remuneration, bonus and penalties of employees of the Company and to determine appointment or dismissal of them;
- (10) to propose convening extraordinary meeting of the Board;
- (11) to handle significant business on behalf of the Company; and
- (12) to exercise other powers within the authorisation of Articles of Association and the Board.

The Company convened 8 Board meetings during the financial year from 1 January 2009 to 31 December 2009.

Name	Position	Number of attendance (including by proxies) <i>(Note)</i>	Number of meetings
Yun Gongmin	Chairman	8	8
Chen Feihu	Vice Chairman	8	8
Chen Dianlu <sup>1</sup>	Vice Chairman	1	8
Meng Fanli <sup>2</sup>	Vice Chairman	7	8
Chen Jianhua	Executive Director	8	8
Wang Yingli	Non-executive Director	8	8
Chen Bin	Non-executive Director	8	8
Zhong Tonglin	Executive Director	8	8
Chu Yu	Non-executive Director	8	8
Wang Yuesheng <sup>3</sup>	Independent Non-executive Director	6	8
Hao Shuchen <sup>3</sup>	Independent Non-executive Director	6	8
Ning Jiming <sup>3</sup>	Independent Non-executive Director	6	8
Yang Jinguan <sup>3</sup>	Independent Non-executive Director	6	8
Zhao Jinghua <sup>4</sup>	Independent Non-executive Director	2	8
Ding Huiping <sup>4</sup>	Independent Non-executive Director	2	8
Wang Chuanshun <sup>4</sup>	Independent Non-executive Director	2	8
Hu Yuanmu <sup>4</sup>	Independent Non-executive Director	2	8

1 Mr. Chen Dianlu was appointed as the Vice Chairman of the Company with effect from 22 December 2009.

2 Mr. Meng Fanli was no longer the Vice Chairman of the Company with effect from 22 December 2009.

3 Mr. Wang Yuesheng, Mr. Hao Shuchen, Mr. Ning Jiming and Mr. Yang Jinguan were appointed as the Independent Director of the Company with effect from 2 June 2009.

4 Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu were no longer the Independent Director of the Company with effect from 2 June 2009.

# Corporate Governance Report (Continued)

## DIRECTOR'S RESPONSIBILITIES IN RESPECTIVE OF FINANCIAL STATEMENTS

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

Mr. Chen Cunlai was in charge of the accounts department. With the assistance of the accounts department, the Directors ensure that the financial statements of the Company are prepared in compliance with relevant laws, regulations and applicable accounting policies. The Directors also confirm that the financial statements will be published timely.

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

## SECURITIES TRANSACTIONS BY DIRECTORS

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

After specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Company have complied with the relevant codes on securities transactions by directors and supervisors set out in the Model Code and the Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited during the year ended 31 December 2009.

## AUDIT COMMITTEE

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

Mr. Yang Jinguan, Mr. Wang Yuesheng and Mr. Hao Shuchen were elected as additional members of the Audit Committee of the fifth Board at the 9th meeting of the fifth Board held on 2 June 2009. The current Audit Committee is chaired by Independent Non-executive Director Mr. Yang Jinguan, and comprises four other members including two Independent Non-executive Directors, Mr. Wang Yuesheng and Mr. Hao Shuchen, and two Non-executive Directors, Ms. Wang Yingli and Mr. Chu Yu. They are responsible for the communication between the Company's internal and external auditors, supervision and examination while giving advice to the Board on audit, internal control and corporate governance. In particular, Mr. Yang Jinguan is an accounting professional.

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

# Corporate Governance Report (Continued)

The Audit Committee held 2 meetings on 3 April 2009 and 10 August 2009 respectively, the average attendance of which was 100%. The attendance of each Director was as follows:

Director	Times of attendance/times of meeting	Attendance Rate
Yang Jinguan*	1/2	100%
Wang Yuesheng*	1/2	100%
Hao Shuchen*	1/2	100%
Wang Yingli	2/2	100%
Chu Yu	2/2	100%
Hu Yuanmu*	1/2	100%
Ding Huiping*	1/2	100%
Wang Chuanshun*	1/2	100%

\* Mr. Hu Yuanmu, Mr. Ding Huiping and Mr. Wang Chuanshun were no longer members of the Audit Committee with effect from 2 June 2009 and Mr. Yang Jinguan, Mr. Wang Yuesheng and Mr. Hao Shuchen were elected as members of the new session of Audit Committee with effect from 2 June 2009.

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

## INTERNAL CONTROL

The Board takes the ultimate responsibility for the internal control system of the Company while the Audit Committee, the management and external auditors are committed to improving the internal control system of the Company. The Board understands its responsibility for ensuring the soundness, appropriateness and effectiveness of the internal control system of the Company so as to provide rational guarantee for attainment of the objectives of the Company.

Further system perfection and effectiveness evaluations were made in respect of internal control in 2009. The Board of the Company is the decision-making organ for internal control and responsible for establishing and implementing effective internal control systems of the Company. It reviewed the effectiveness of the relevant systems through the Audit Committee during the year and supervised annual report through Audit Committee and Independent Board Committee. The Supervisory Committee supervises the establishment and implementation of internal control by the Board of Directors. The Company's management is responsible for the daily operation of internal control of the enterprises. The Audit Committee of the Board is responsible for reviewing the internal control of the Company, supervising the effective execution of the internal control and self-evaluation of the internal control, and coordinating the audit of the internal control and other relevant matters. The working place of the Audit Committee is located at the Supervision and Audit Department of the Company. Subsidiaries have set up internal control supervisory organization or position, which are responsible for promoting the improvement and evaluation of internal control system under the leadership of their respective boards of directors.

In 2009, the evaluation on the internal controls of the Company and its subsidiaries covered operation control, financial control, compliance control and risk management under the guidance of Basic Framework of Internal Control and Risk Management issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the to Basic Norms of Corporate Internal Control jointly issued by five ministries (including Ministry of Finance of the People's Republic of China). Based on the results of evaluation, the Audit Committee of the Board prepared the draft of Internal Control Self-evaluation Report, the draft of which was considered and approved at the 15th meeting of the 5th session of the Board of Directors. The Internal Control Self-evaluation Report concluded that: without material internal control defects being discovered in the evaluation, it is convinced that: in 2009, the Company is in full compliance with the provisions relating to internal control as set out in the Code of the Hong Kong Listing Rules, and the existing internal control mechanism of the Company is effective in preventing significant risks and management fraud and in controlling important workflow as required by relevant PRC regulations and securities regulatory authorities. The Board (including the Audit Committee) also considered that the Company has sufficient resources and staff members who are qualified and experienced in accounting and financial reporting. The relevant staff members have taken sufficient training courses and the Company has an adequate resources.

# Corporate Governance Report (Continued)

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

## REMUNERATION AND APPRAISAL COMMITTEE

The Company has a Remuneration and Appraisal Committee. The Remuneration and Appraisal Committee is a specialised committee of the Board established under the resolution of the general meeting. It is responsible for studying the appraisal standards for the Directors and the senior management of the Company, performing appraisal and giving its advice. It is also responsible for research and review of the remuneration policy and scheme for the Directors and the senior management of the Company. The Remuneration and Appraisal Committee reports to the Board. It has reviewed the current remuneration policy and proposed to the Board to change the remuneration policy and scheme. After each meeting, the Committee will report to the Board. None of the Directors shall participate in the determination of their own remuneration.

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

Mr. Hao Shuchen, Mr. Ning Jiming and Mr. Yang Jinguan were elected as additional members of the Remuneration and Appraisal Committee at the 9th meeting of the fifth Board held on 2 June 2009. The current Remuneration and Appraisal Committee is chaired by Independent Non-executive Director, Mr. Hao Shuchen, and comprises four other members including Vice Chairman, Mr. Chen Feihu, Non-executive Director, Ms. Wang Yingli and Independent Non-executive Directors, Mr. Ning Jiming and Mr. Yang Jinguan.

The Remuneration and Appraisal Committee held 3 meetings on 7 April 2009, 2 June 2009 and 10 August 2009 respectively. Attendance of each member is as follows:

Director	Times of attendance/times of meeting	Attendance Rate
Hao Shuchen*	2/3	100%
Ning Jiming*	2/3	100%
Yang Jinguan*	2/3	100%
Chen Feihu	3/3	100%
Wang Yingli	3/3	100%
Zhao Jinghua*	1/3	100%
Ding Huiping*	1/3	100%
Hu Yuanmu*	1/3	100%

\* Mr. Zhao Jinghua, Mr. Ding Huiping and Mr. Hu Yuanmu were no longer members of the Remuneration and Appraisal Committee with effect from 2 June 2009 and Mr. Hao Shuchen, Mr. Ning Jiming and Mr. Yang Jinguan were appointed as members of the Remuneration and Appraisal Committee with effect from 2 June 2009.

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

## ANNUAL SALARY SCHEME FOR THE GENERAL MANAGER IN 2009

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2009 and to ensure completion of the annual missions of the Board, the Company linked the annual salary scheme for the General Manager with the annual operating performance of the Company with reference to the Company's actual circumstances.



# Corporate Governance Report (Continued)

Based on the Company's development strategies, external environmental changes, annual performance results, wage level of employees and other factors, and with reference to the salary level of listed peers, the Remuneration and Appraisal Committee determined the annual base salary for the General Manager in 2009 in line with such principles as integration of incentives and constraints, combination of short-term and long-term incentives, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives.

## MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2009

In order to secure the accomplishment of the strategic targets for the year 2009 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee formulated the motivation and assessment methods for other senior management members (including the Deputy General Manager, the Financial Controller, Chief Engineer and the Secretary to the Board, hereinafter referred to as the "Relevant Senior Management Members") in 2009 with reference to the Company's actual circumstances.

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

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

## ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2009, each former Independent Non-executive Director, namely, Zhao Jinghua, Ding Huiping, Wang Chuanshun and Hu Yuanmu, was paid the independent directors' allowance of RMB25,000 (before tax) by the Company and each existing Independent Non-executive Director, namely, Wang Yuesheng, Hao Shuchen Ning Jiming and Yang Jinguan was paid the independent directors' allowance of RMB40,800 (before tax) by the Company.

## REMUNERATION (ALLOWANCE) OF DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT IN 2009 (BEFORE INCOME TAX)

Name	Position	Director's remuneration (allowance) (RMB'000)
Yun Gongmin	Chairman, Non-executive Director	0
Chen Feihu	Vice Chairman, Non-executive Director	0
Chen Dianlu*	Vice Chairman, Non-executive Director	0
Meng Fanli*	Vice Chairman, Non-executive Director	0
Chen Jianhua	Executive Director, General Manager	79.31 (including deferred payment of RMB 81,200)
Wang Yingli	Non-executive Director	0
Chen Bin	Non-executive Director	0
Zhong Tonglin	Executive Director, Deputy General Manager	79.22 (including deferred payment of RMB 81,200)
Chu Yu	Non-executive Director	0
Wang Yuesheng*	Independent Non-executive Director	4.08
Hao Shuchen*	Independent Non-executive Director	4.08
Ning Jiming*	Independent Non-executive Director	4.08
Yang Jinguan*	Independent Non-executive Director	4.08
Zhao Jinghua*	Independent Non-executive Director	2.5
Ding Huiping*	Independent Non-executive Director	2.5
Wang Chuanshun*	Independent Non-executive Director	2.5
Hu Yuanmu*	Independent Non-executive Director	2.5
Li Xiaopeng	Chairman of the Supervisory Committee	0

# Corporate Governance Report (Continued)

Name	Position	Director's remuneration (allowance) (RMB0'000)
Peng Xingyu	Supervisor	0
Zheng Feixue	Supervisor	38.41 (including deferred payment of RMB47,200)
Zhou Lianqing	Secretary to the Board and Company Secretary	55.96 (including deferred payment of 56,900)
Wang Wenqi	Deputy General Manager	65.19 (including deferred payment of 67,600)
Wang Hui	Deputy General Manager	64.48 (including deferred payment of 66,300)
Peng Guoquan	Deputy General Manager	64.68 (including deferred payment of 66,900)
Xiang Shibang *	Deputy General Manager	37.02 (including deferred payment of 38,300)
Chen Cunlai*	Financial Controller	37.22 (including deferred payment of 38,700)
Xie Yun	Chief Engineer	63.50(including deferred payment of 64,300)
Zhu Fangxin*	Financial Controller	26.60(including deferred payment of 27,400)
Bai Hua*	Deputy General Manager	26.71(including deferred payment of 27,600)

\* Mr. Meng Fanli was no longer the Vice Chairman of the Company with effect from 22 December 2009; Mr. Chen Dianlu was appointed as the Vice Chairman of the Company with effect from 22 December 2009; Mr. Zhao Jinghua, Mr. Ding Huiping, Mr. Wang Chuanshun and Mr. Hu Yuanmu were no longer the Independent Directors of the Company with effect from 2 June 2009; Mr. Wang Yuesheng, Mr. Hao Shuchen, Mr. Ning Jiming and Mr. Yang Jinguan were appointed as the Independent Directors of the Company with effect from 2 June 2009; Mr. Zhu Fangxin was no longer the Financial Controller of the Company with effect from 2 June 2009; Mr.Chen Cunlai was appointed as the Financial Controller of the Company with effect from 2 June 2009; Mr.Bai Hua was no longer the Deputy General Manager of the Company with effect from 2 June 2009; and Mr. Xiang Shibang was appointed as the Deputy General Manager of the Company with effect from 2 June 2009.

## NOMINATION OF DIRECTORS

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

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

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

At the 7th meeting of the fifth session of the Board held on 8 April 2009, the Board specifically considered the proposal for nomination of independent directors. Mr. Wang Yuesheng, Mr. Hao Shuchen, Mr. Ning Jiming and Mr. Yang Jinguan were approved as candidates for independent directors of the Board and such nomination was submitted to the 2008 Annual General Meeting for consideration and approval by way of ordinary resolution. The meeting was presided over by Mr. Yun Gongmin as the Chairman and all Directors attended the meeting.

# Corporate Governance Report (Continued)

At the 11th meeting of the fifth session of the Board held on 11 August 2009, the Board specifically considered the proposal for nomination of directors of the Company. Mr. Chen Dianlu was approved as candidates for director of the Board and such nomination was submitted to the Extraordinary General Meeting for consideration and approval by way of ordinary resolution. The meeting was presided over by Mr. Yun Gongmin as the Chairman. The 12 Directors of the Company attended either in person or by proxy, among whom Vice Chairman Meng Fanli appointed Director Wang Yingli and Directors Chen Bin and Chu Yu appointed Director Zhong Tonglin respectively to attend the meeting on their behalf.

At the Annual General Meeting held on 2 June 2009, the proposal for change of independent directors was considered and approved. At the Extraordinary General Meeting held on 22 December 2009, the proposal for election of Chen Dianlu as Director was considered and approved.

## AUDITORS

For the year ended 31 December 2009, the Company paid RMB10.70 million of audit service fee and RMB26,000 of fees for vote-counting to KPMG and KPMG Huazhen. There was no other fees paid for their services. The audit fees were considered by the Audit Committee and the Board and approved at the general meeting.

The Audit Committee has resolved to re-appoint KPMG and KPMG Huazhen to conduct the statutory audit for the financial statements for the financial year of 2010 according to IFRSs and China Accounting Standards for Business Enterprises respectively. The resolution was approved by the Board and is subject to the final approval and authorisation by the shareholders at the forthcoming 2009 Annual General Meeting.

## INVESTOR RELATIONS

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

The previous annual general meeting was held in Beijing on 2 June 2009, at which the Chairman, the chairman of the Audit Committee and the chairman of the Remuneration and Appraisal Committee answered questions. At the general meeting, each matter was put forward in form of a separate proposal and voted by way of poll.

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

For any enquiry addressed to the Board, shareholder can contact the Secretary to the Board through shareholder hotlines (8610-83567779, 83567900 or 83567902) or by email (hdpi@hdpi.com.cn) or by fax (8610-83567963), or raise the questions at the annual general meeting or the extraordinary general meeting. Enquiry can also be made through the above means to the Secretary to the Board for procedures concerning convening an annual general meeting or extraordinary general meeting and putting forward a proposal.

By Order of the Board  
**Yun Gongmin**  
*Chairman*

Beijing, the PRC  
26 March 2010

# Supervisory Committee Report

## To Shareholders,

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

In 2009, the Supervisory Committee attended the Board of Directors' meetings and major activities of the Company and learned about the development and operating situation of the Company. We are of the opinion that the management has kept its promises and abided by the relevant laws through their significant contribution to the Company's operation, development and production management. We consider that the Company's management has been performing its duties in an effective and appropriate manner and in the ultimate interests of its shareholders.

## 1 WORK OF THE SUPERVISORY COMMITTEE IN 2009

In 2009, the Supervisory Committee of the Company convened 4 meetings, details of which are as follows:

1. The 4th meeting of the 5th session of the Supervisory Committee was convened on 8 April 2009 at China People's Palace, at No. 1, Zhenwumiao Road, Fuxingmenwai Avenue, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid.

For details, please refer to the announcement of resolutions passed by Supervisory Committee dated 9 April 2009.

2. The 5th meeting of the 5th session of Supervisory Committee was convened on 28 April 2009 at the Company's conference room situating at No. 14 Jingsan Road, Jinan City, Shandong Province. Li Xiaopeng, Peng Xingyu and Zheng Feixue, all supervisors of the Company, attended the meeting, and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

After hearing the analysis on business operation in the first quarter of 2009, the meeting considered and approved the Company's first Quarterly Report of 2009 prepared in accordance with the Listing Rules of Shanghai Stock Exchange. The preparation of and consideration procedure for the Quarterly Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; the content and format of the Quarterly Report were in compliance with all provisions of CSRC and the Shanghai Stock Exchange and the information contained therein can truly reflect the Company's operations, management and financial positions during the first quarter of the year; Before arriving at this opinion, no person participating in preparation and consideration of the Quarterly Report had any act in breach against the rules of confidentiality. The meeting authorized amendment to be made at discretion and to timely publish the same pursuant to the relevant regulations of the Stock Listing Rules of the Shanghai Stock Exchange and the simultaneous disclosure required by the Hong Kong Stock Exchange.

3. The 6th meeting of the 5th session of the Supervisory Committee was convened on 11 August 2009 at China Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:
  - (1) The Interim Financial Report for 2009 which was prepared under the International Financial Reporting Standards and the China GAAP respectively for the reporting period ended 30 June 2009 was considered and approved;

# Supervisory Committee Report (Continued)

- (2) The 2009 Interim Report, Summary of the Report and Results Announcement prepared in accordance with the Listing Rules of Shanghai Stock Exchange and Hong Kong Stock Exchange were considered and approved. The preparation and consideration procedure for the Interim Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; the content and format of the Interim Report were in compliance with all provisions of CSRC and the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the information contained therein could truly reflect the Company's operations, management and financial positions during the reporting period; Before arriving at this opinion, no person participating in preparation and consideration of the Interim Report had any act in breach against the rules of confidentiality.
4. The 7th meeting of the 5th session of the Supervisory Committee was convened on 23 October 2009 at China Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

After hearing the analysis on business operation in the third quarter of 2009, the meeting considered and approved the Company's third Quarterly Report of 2009 prepared in accordance with the Listing Rules of Shanghai Stock Exchange. The preparation and consideration procedure for the Quarterly Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; The content and format of the Quarterly Report were in compliance with all provisions of CSRC, the Shanghai Stock Exchange and the information contained therein could truly reflect the Company's operations, management and financial positions during the third quarter of the year; Before arriving at this opinion, no person participating in preparation and consideration of the Quarterly Report had any act in breach against the rules of confidentiality. The meeting authorized amendment to be made at discretion and timely publish the same pursuant to the relevant regulations of the Stock Listing Rules of the Shanghai Stock Exchange and the simultaneous disclosure required by the Hong Kong Stock Exchange.

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

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

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



# Supervisory Committee Report (Continued)

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

The Supervisory Committee has carefully reviewed the Company's Report of the Final Financial Statements for 2009, 2009 Profit Distribution Plan, 2009 Annual Report, 2009 Unqualified Auditors' Reports prepared by the international auditors and domestic auditors of the Company and other relevant information in respect of the year 2009.

We are of the opinion that the Company's Report of the Final Financial Statements for 2009 were reliable, which objectively reflected the financial standing and operating results of the Company. The Supervisory Committee agreed with the auditors' reports for Company and its 2009 Profit Distribution Plan.

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

The last fund raising exercise of the Company was the non-public issue of new A shares on 1 December 2009. The actual use of the proceeds raised was consistent with the intended use of proceeds set out in the Company's proposal for non-public issue of A shares.

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

The Company acquired equity interests in Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited, Shanxi Dongyi Zhonghou Coal Company Limited, Inner Mongolia Fucheng Mining Co., and Inner Mongolia Ertuoqianqi Changcheng Mine Co., Ltd., and made an equity investment in Ningxia Yinxing Coal Company Limited. No insider transactions was found and no circumstances were noted which may damage the interests of the Company or result in any loss of assets of the Company during these acquisitions.

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

During 2009, we consider that the considerations paid by the Company for the acquisition projects were all reasonable and the connected transactions and continuing connected transactions were fair; and the acquisition transactions were in the interests of the Company and shareholders as a whole.

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

*Chairman of the Supervisory Committee*  
**Li Xiaopeng**

Beijing, the PRC  
26 March 2010

# Corporate Information

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

Yun Gongmin (Chairman, Non-executive Director), Chen Feihu (Vice Chairman, Non-executive Director), Chen Dianlu (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).

<b>Legal address</b>	14 Jingsan Road Jinan, Shandong Province The People's Republic of China
<b>Authorized representatives</b>	Chen Jianhua Zhou Lianqing
<b>Company secretary</b>	Zhou Lianqing
<b>Hong Kong share registrar and transfer office</b>	Hong Kong Registrars Limited 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
<b>Auditors</b>	KPMG Certified Public Accountants 8th Floor, Prince's Building Central Hong Kong  KPMG Huazhen Certified Public Accountants 8th Floor, Office Tower E2 Oriental Plaza No. 1, East Chang An Avenue Beijing
<b>Legal advisers to the Company as to Hong Kong law and United States law</b>	Baker & McKenzie 14th Floor, Hutchison House 10 Harcourt Road Central Hong Kong
<b>as to PRC law</b>	Haiwen & Partners 21 Floor, Beijing Silver Tower No. 2 Dong San Huan North Road Chao Yang District Beijing The People's Republic of China

# Corporate Information (Continued)

## COMPANY PUBLICATIONS

The Company's 2009 Annual Reports were published in April 2010. Copies of the interim and annual reports are available for collection at:

### PRC

Huadian Power International Corporation Limited  
No. 2 Xuanwumennei Street,  
Xicheng District, Beijing  
The People's Republic of China  
Tel: (86 10) 8356 7888  
Fax: (86 10) 8356 7963

### Hong Kong

Wonderful Sky  
Financial Group Limited  
Unit 3103, 31st Floor,  
Office Tower, Convention Plaza,  
1 Harbour Road, Wanchai, Hong Kong  
Tel: (852) 2851-1038  
Fax: (852) 2815-1352

# Report of The International Auditors

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

We have audited the consolidated financial statements of Huadian Power International Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 59 to 118, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

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

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance.

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

26 March 2010

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
<b>Turnover</b>	4	<b>36,449,643</b>	29,997,264
<b>Operating expenses</b>			
Fuel costs		(22,620,743)	(22,659,671)
Depreciation and amortisation		(4,120,228)	(3,669,103)
Major overhaul expenses		(521,092)	(405,373)
Repairs and maintenance		(564,300)	(447,508)
Personnel costs	5	(1,765,499)	(1,511,040)
Administration expenses		(1,116,618)	(972,143)
Sales related taxes	6	(241,875)	(205,444)
Other operating expenses		(1,227,945)	(737,465)
		<b>(32,178,300)</b>	(30,607,747)
<b>Operating profit/(loss)</b>		<b>4,271,343</b>	(610,483)
Investment income		24,988	31,004
Other net income		118,560	312,528
Finance income		22,961	32,149
Finance costs	7	(2,971,424)	(2,842,420)
Share of profits/(losses) of associates		212,399	(139,788)
Share of profit of a jointly controlled entity		4,445	27,209
<b>Profit/(loss) before taxation</b>	8	<b>1,683,272</b>	(3,189,801)
Income tax	11(a)	(101,273)	130,679
<b>Profit/(loss) for the year</b>		<b>1,581,999</b>	(3,059,122)

The notes on pages 68 to 118 form part of these financial statements.

# Consolidated Statement of Comprehensive Income (Continued)

for the year ended 31 December 2009  
(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
<b>Profit/(loss) for the year</b>		<b>1,581,999</b>	(3,059,122)
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>	13		
Available-for-sale securities: net movement in fair value reserve		<u>40,351</u>	(17,828)
<b>Total comprehensive income for the year</b>		<u><b>1,622,350</b></u>	<u>(3,076,950)</u>
<b>Profit/(loss) attributable to:</b>			
Equity shareholders of the Company		<u>1,157,173</u>	(2,560,103)
Minority interests		<u>424,826</u>	(499,019)
<b>Profit/(loss) for the year</b>		<u><b>1,581,999</b></u>	<u>(3,059,122)</u>
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		<u>1,196,249</u>	(2,577,172)
Minority interests		<u>426,101</u>	(499,778)
<b>Total comprehensive income for the year</b>		<u><b>1,622,350</b></u>	<u>(3,076,950)</u>
<b>Basic and diluted earnings/(losses) per share</b>	14	<u><b>RMB 0.190</b></u>	<u>RMB (0.425)</u>

The notes on pages 68 to 118 form part of these financial statements.



# Consolidated Balance Sheet

as at 31 December 2009

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	16(a)	65,502,601	60,876,273
Construction in progress	17	19,315,995	13,099,105
Lease prepayments	18	918,590	896,460
Intangible assets	19	1,126,784	1,060,906
Interests in associates	21	3,969,310	1,969,653
Interest in a jointly controlled entity	22	221,799	221,817
Other investments	23	636,830	501,253
Other non-current assets	24	1,722,896	—
Deferred tax assets	31(b)	267,001	235,843
		<b>93,681,806</b>	<b>78,861,310</b>
<b>Current assets</b>			
Inventories	25	1,346,169	1,782,160
Trade debtors and bills receivable	26	3,583,226	1,969,298
Deposits, other receivables and prepayments		1,323,369	880,840
Tax recoverable	31(a)	61,522	49,723
Restricted deposits	27	1,906	4,791
Cash and cash equivalents	28	1,241,900	1,869,305
		<b>7,558,092</b>	<b>6,556,117</b>
<b>Current liabilities</b>			
Bank loans	29(a)	16,458,921	14,249,721
Loans from shareholders	29(b)	1,704,913	660,000
State loans	29(c)	12,893	10,192
Other loans	29(d)	3,180,549	1,763,662
Short-term debenture payables	29(e)	3,002,923	2,605,798
Amount due to holding company		75,190	964,096
Trade creditors and bills payable	30	5,078,569	5,118,511
Other payables		2,677,464	2,369,629
Tax payable	31(a)	24,217	10,216
		<b>32,215,639</b>	<b>27,751,825</b>
<b>Net current liabilities</b>		<b>(24,657,547)</b>	<b>(21,195,708)</b>
<b>Total assets less current liabilities carried forward</b>		<b>69,024,259</b>	<b>57,665,602</b>

The notes on pages 68 to 118 form part of these financial statements.

# Consolidated Balance Sheet (Continued)

as at 31 December 2009

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
<b>Total assets less current liabilities brought forward</b>		<b>69,024,259</b>	57,665,602
<b>Non-current liabilities</b>			
Bank loans	29(a)	<b>36,561,599</b>	36,061,811
Loans from shareholders	29(b)	<b>2,018,958</b>	1,951,528
State loans	29(c)	<b>37,215</b>	50,135
Other loans	29(d)	<b>3,821,577</b>	2,306,569
Medium-term notes	29(f)	<b>2,971,022</b>	—
Long-term payables		<b>426,626</b>	—
Deferred government grants		<b>438,982</b>	284,951
Deferred income	32	<b>160,819</b>	136,034
Deferred tax liabilities	31(b)	<b>1,282,303</b>	937,794
		<b>47,719,101</b>	41,728,822
<b>NET ASSETS</b>		<b>21,305,158</b>	15,936,780
<b>CAPITAL AND RESERVES</b>			
Share capital	33(c)	<b>6,771,084</b>	6,021,084
Reserves		<b>9,315,098</b>	5,405,231
<b>Total equity attributable to equity shareholders of the Company</b>		<b>16,086,182</b>	11,426,315
<b>Minority interests</b>		<b>5,218,976</b>	4,510,465
<b>TOTAL EQUITY</b>		<b>21,305,158</b>	15,936,780

Approved and authorised for issue by the Board of Directors on 26 March 2010.

**Chen Jianhua**  
Director

**Zhong Tonglin**  
Director

The notes on pages 68 to 118 form part of these financial statements.

# Balance Sheet

as at 31 December 2009  
(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	16(b)	9,012,025	9,247,675
Construction in progress	17	1,576,000	1,724,674
Lease prepayments	18	159,002	173,602
Intangible assets	19	53,750	45,457
Investments in subsidiaries	20	16,891,200	10,464,403
Interests in associates	21	1,989,372	1,478,105
Interest in a jointly controlled entity	22	142,800	142,800
Other investments	23	460,309	455,309
Other non-current assets	24	439,043	—
		<b>30,723,501</b>	23,732,025
<b>Current assets</b>			
Inventories	25	288,298	397,799
Trade debtors and bills receivable	26	551,868	6,394
Amounts due from subsidiaries		599,152	474,078
Deposits, other receivables and prepayments		130,119	73,487
Tax recoverable	31(a)	23,907	23,907
Cash and cash equivalents	28	193,186	780,288
		<b>1,786,530</b>	1,755,953
<b>Current liabilities</b>			
Bank loans	29(a)	4,326,783	5,021,144
Loans from shareholders	29(b)	1,009,310	500,000
State loans	29(c)	12,002	10,192
Other loans	29(d)	850,000	550,000
Short-term debenture payables	29(e)	3,002,923	2,605,798
Amount due to holding company		70,090	958,996
Amounts due to subsidiaries		154,958	421,632
Trade creditors and bills payable	30	1,072,005	1,486,181
Other payables		569,357	250,453
		<b>11,067,428</b>	11,804,396
<b>Net current liabilities</b>		<b>(9,280,898)</b>	(10,048,443)
<b>Total assets less current liabilities carried forward</b>		<b>21,442,603</b>	13,683,582

The notes on pages 68 to 118 form part of these financial statements.

# Balance Sheet (Continued)

as at 31 December 2009  
(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
<b>Total assets less current liabilities brought forward</b>		<b>21,442,603</b>	13,683,582
<b>Non-current liabilities</b>			
Bank loans	29(a)	<b>1,182,820</b>	970,000
Loans from shareholders	29(b)	<b>788,789</b>	621,878
State loans	29(c)	<b>28,306</b>	40,335
Other loans	29(d)	<b>1,100,000</b>	200,000
Medium-term notes	29(f)	<b>2,971,022</b>	—
Deferred government grants		<b>105,804</b>	91,088
Deferred tax liabilities	31(b)	<b>40,000</b>	41,007
		<b>6,216,741</b>	1,964,308
<b>NET ASSETS</b>		<b>15,225,862</b>	11,719,274
<b>CAPITAL AND RESERVES</b>	33(a)		
Share capital		<b>6,771,084</b>	6,021,084
Reserves		<b>8,454,778</b>	5,698,190
<b>TOTAL EQUITY</b>		<b>15,225,862</b>	11,719,274

Approved and authorised for issue by the Board of Directors on 26 March 2010.

**Chen Jianhua**  
Director

**Zhong Tonglin**  
Director

The notes on pages 68 to 118 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2009

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company										
	Share capital	Capital reserve	Statutory surplus		Discretionary surplus	Revaluation reserve	Fair value reserve	Retained profits	Total	Minority interests	Total equity
			reserve	reserve							
	RMB'000 (note 33(c))	RMB'000 (note 33(d)(i))	RMB'000 (note 33(d)(ii))	RMB'000 (note 33(d)(iii))	RMB'000 (note 33(d)(iii))	RMB'000 (note 33(d)(iv))	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2008	6,021,084	1,897,919	1,404,520	68,089	44,726	—	4,863,481	14,299,819	3,842,863	18,142,682	
Capital injection from minority equity holders of subsidiaries	—	—	—	—	—	—	—	—	486,225	486,225	
Gain on dilution of equity interest in a subsidiary	—	—	—	—	—	—	65,420	65,420	(65,420)	—	
Contribution from holding company	—	11,555	—	—	—	—	—	11,555	209	11,764	
Dividends approved for equity shareholders of the Company (note 33(b))	—	—	—	—	—	—	(373,307)	(373,307)	—	(373,307)	
Dividends approved for minority equity holders of subsidiaries	—	—	—	—	—	—	—	—	(87,509)	(87,509)	
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	833,875	833,875	
Total comprehensive income for the year	—	—	—	—	—	(17,069)	(2,560,103)	(2,577,172)	(499,778)	(3,076,950)	
Balance at 31 December 2008	<u>6,021,084</u>	<u>1,909,474</u>	<u>1,404,520</u>	<u>68,089</u>	<u>44,726</u>	<u>(17,069)</u>	<u>1,995,491</u>	<u>11,426,315</u>	<u>4,510,465</u>	<u>15,936,780</u>	
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 holders of subsidiaries	—	—	—	—	—	—	—	—	133,356	133,356	
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 holding company	—	18,166	—	—	—	—	—	18,166	18,906	37,072	
Dividends approved for minority equity holders of subsidiaries	—	—	—	—	—	—	—	—	(89,781)	(89,781)	
Acquisition of subsidiaries (note 36)	—	—	—	—	—	—	—	—	424,928	424,928	
Shares issued (note 33(c))	750,000	2,703,700	—	—	—	—	—	3,453,700	—	3,453,700	
Appropriation	—	—	13,404	—	—	—	(13,404)	—	—	—	
Total comprehensive income for the year	—	—	—	—	—	39,076	1,157,173	1,196,249	426,101	1,622,350	
Balance at 31 December 2009	<u>6,771,084</u>	<u>4,631,340</u>	<u>1,417,924</u>	<u>68,089</u>	<u>44,726</u>	<u>22,007</u>	<u>3,131,012</u>	<u>16,086,182</u>	<u>5,218,976</u>	<u>21,305,158</u>	

The notes on pages 68 to 118 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2009

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
<b>Operating activities</b>			
Cash received from customers and others		<b>41,363,772</b>	30,578,207
Cash paid to suppliers, employees and others		<b>(34,575,784)</b>	(27,356,308)
		<hr/>	<hr/>
Cash generated from operations		<b>6,787,988</b>	3,221,899
Interest paid		<b>(3,573,934)</b>	(3,341,242)
Enterprise income tax paid		<b>(120,137)</b>	(113,354)
		<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>		<b>3,093,917</b>	(232,697)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment, construction in progress and intangible assets		<b>(12,395,853)</b>	(10,604,791)
Proceeds from sale of property, plant and equipment		<b>8,877</b>	38,639
Lease prepayments paid		<b>—</b>	(18,861)
Payment for the acquisition of subsidiaries, net of cash	36	<b>(1,113,967)</b>	(335,932)
Payment for the acquisition of subsidiaries in prior years		<b>(1,490,585)</b>	—
Payment for the acquisition of associates		<b>(429,092)</b>	—
Payment for the acquisition of minority interests		<b>(104,912)</b>	—
Investment prepayments paid		<b>(1,722,896)</b>	—
Loan to a third party		<b>(8,000)</b>	—
Capital injection in associates		<b>(202,565)</b>	(263,355)
Capital injection in other investments		<b>(5,000)</b>	(334,770)
Interest received		<b>25,776</b>	25,516
Dividends received		<b>144,423</b>	101,360
Other cash received relating to investing activities		<b>1,472</b>	—
		<hr/>	<hr/>
<b>Net cash used in investing activities</b>		<b>(17,292,322)</b>	(11,392,194)
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>

The notes on pages 68 to 118 form part of these financial statements.



## Consolidated Cash Flow Statement (Continued)

for the year ended 31 December 2009  
(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi)

	Note	2009	2008
		RMB'000	RMB'000
<b>Financing activities</b>			
Proceeds from borrowings		<b>46,863,782</b>	42,990,930
Repayment of borrowings		<b>(37,128,060)</b>	(30,602,666)
Proceeds from government grants		<b>149,759</b>	339,225
Proceeds from shares issued of the Company	33(c)	<b>3,453,700</b>	—
Proceeds from bank acceptance bills receivable discounted		<b>602,483</b>	247,972
Repayment of bank acceptance bills payable		<b>(288,380)</b>	(784,090)
Capital injection from minority equity holders to subsidiaries		<b>46,660</b>	474,538
Dividends paid to minority equity holders of subsidiaries		<b>(46,300)</b>	(46,274)
Dividends paid to equity shareholders of the Company	33(b)	—	(373,307)
Decrease in restricted deposits		<b>2,885</b>	15,159
Other cash paid relating to financing activities		<b>(85,529)</b>	(140,580)
<b>Net cash from financing activities</b>		<b>13,571,000</b>	12,120,907
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(627,405)</b>	496,016
<b>Cash and cash equivalents at beginning of the year</b>		<b>1,869,305</b>	1,373,289
<b>Cash and cash equivalents at end of the year</b>	28	<b>1,241,900</b>	1,869,305

The notes on pages 68 to 118 form part of these financial statements.

# Notes to The Financial Statements

*(Prepared under International Financial Reporting Standards)*

*(Expressed in Renminbi)*

## 1 BACKGROUND OF THE COMPANY

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Group and its interest in associates and a jointly controlled entity.

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

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

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

Judgement made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 40.

### (c) Subsidiaries

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

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

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

### (d) Associates and jointly controlled entities

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

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

# Notes to The Financial Statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (d) Associates and jointly controlled entities (continued)

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

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

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

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

### (e) Minority interests

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

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

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

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

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

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

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

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

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

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

### (g) Goodwill

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(k)). In respect of associates or jointly controlled entities, the carrying amount of goodwill is included in the carrying amount of the interest in the associate or jointly controlled entity and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see note 2(k)).

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

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

### (h) Property, plant and equipment

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

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

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

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

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

Mining structures and mining rights are depreciated on a units-of-production method utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

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

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

# Notes to The Financial Statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (i) Construction in progress

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

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

### (j) Intangible assets (other than goodwill)

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset's estimated useful lives. The Group's intangible assets with finite useful lives are amortised over their estimated useful lives of 5 to 10 years from the date they are available for use. Both the period and method of amortisation are reviewed annually.

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

### (k) Impairment of assets

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

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

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity investment below its cost.

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

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

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

# Notes to The Financial Statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Impairment of assets (continued)

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

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

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

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

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

#### (ii) Impairment of other assets

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

- property, plant and equipment;
- construction in progress;
- lease prepayments;
- intangible assets;
- interest in subsidiaries, associates and jointly controlled entities;
- other non-current assets; and
- goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- Calculation of recoverable amount

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

- Recognition of impairment losses

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



# Notes to The Financial Statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (k) Impairment of assets (continued)

#### (ii) Impairment of other assets (continued)

##### — Reversals of impairment losses

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

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

#### (iii) Interim financial reporting and impairment

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

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

### (l) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC's land bureau. Lease prepayments are stated at cost, less accumulated amortisation and any impairment losses (see note 2(k)). Amortisation is charged to profit or loss from the date of initial recognition on a straight-line basis over the respective periods of the rights which mainly range from 11 years to 70 years.

### (m) Inventories

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

### (n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In which case, the receivables are stated at cost less allowance for impairment of doubtful debts.

### (o) Interest-bearing borrowings

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

### (p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (q) Cash and cash equivalents

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

# Notes to The Financial Statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (r) Financial guarantees issued and provisions

#### (i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

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

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

#### (ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (s) Revenue recognition

#### (i) Electricity income

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

#### (ii) Heat income

Heat income is recognised when heat is supplied to customers.

#### (iii) Dividend income

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.
- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

#### (iv) Interest income

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

#### (v) Government grants

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

# Notes to The Financial Statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (s) Revenue recognition (continued)

#### (vi) Upfront connection and installation fee

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

#### (t) Major overhauls, repairs and maintenance

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

#### (u) Translation of foreign currencies

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

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

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

#### (v) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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

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. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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 enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

# Notes to The Financial Statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (v) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (w) Borrowing costs

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

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

### (x) Operating lease charges

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

### (y) Employee benefits

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

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

#### (ii) Termination benefits

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

### (z) Research and development costs

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

### (aa) Related parties

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

# Notes to The Financial Statements (Continued)

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

## 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (aa) Related parties (continued)

- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
- (v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
- (vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

### (bb) 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.

### (cc) Dividends

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

## 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 IFRS 7, *Financial instruments: Disclosure - improving disclosures about financial instruments*
- Improvements to IFRSs (2008)
- Amendments to IAS 27, *Consolidated and separate financial statements - cost of an investment in a subsidiary, jointly controlled entity or associate*
- IAS 23 (revised 2007), *Borrowing costs*

The amendments to IAS 23 have had no material impact on the Group's financial statements as the amendments were consistent with policy already adopted by the Group. The impact of the remainder of these developments 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. 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 Financial Statements (Continued)

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

## 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group did not have financial instruments carried at fair value as at 31 December 2008, accordingly, no comparative information for the newly disclosures about the fair value measurements of financial instruments has been presented.
- The "Improvements to IFRSs (2008)" comprise a number of minor and non-urgent amendments to a range of IFRSs which the IASB has issued as an omnibus batch of amendments. Of these, the following amendment has resulted in changes to the Group's accounting policies:
  - As a result of amendments to IAS 28, *Investments in associates*, impairment losses recognised in respect of the associates and jointly controlled entities carried under the equity method are no longer allocated to the goodwill inherent in that carrying value. As a result, when there has been a favourable change in the estimates used to determine the recoverable amount, the impairment loss will be reversed. Previously, the Group would allocate impairment losses to goodwill and, in accordance with the accounting policy for goodwill, did not consider the loss to be reversible. As the Group did not recognise any impairment losses in respect of the associates and jointly controlled entities carried under the equity method in prior years, no comparative and opening figures have been restated.
- 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 Company'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 Company 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 TURNOVER

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

	2009	2008
	RMB'000	RMB'000
Sale of electricity	<b>35,197,156</b>	29,275,040
Sale of heat	<b>1,252,487</b>	722,224
	<b>36,449,643</b>	29,997,264

The Group's customers are mainly local power grid companies. There is only one customer with whom have exceeded 10% of the Group's revenues. In 2009 revenues from sales of electricity to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB 20,312,597,000 (2008: RMB 20,651,061,000). Details of concentrations of credit risk arising from this customer are set out in note 39(b).



# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 5 PERSONNEL COSTS

	2009	2008
	RMB'000	RMB'000
Wages, welfare and other benefits	1,112,502	991,462
Retirement costs (note 35)	282,117	198,979
Other staff costs	370,880	320,599
	<u>1,765,499</u>	<u>1,511,040</u>

## 6 SALES RELATED TAXES

Sales related taxes represent city maintenance and construction tax and education surcharge, which are calculated at 1-7% and 3-5% (2008: 1-7% and 3-5%), respectively, of net VAT payable.

## 7 FINANCE COSTS

	2009	2008
	RMB'000	RMB'000
Interest on loans and other financial liabilities wholly repayable within five years	2,307,125	2,580,233
Interest on loans and other financial liabilities repayable after five years	1,293,966	943,734
Less: Interest capitalised	(644,781)	(575,750)
	<u>2,956,310</u>	<u>2,948,217</u>
Net foreign exchange loss/(gain)	1,435	(119,990)
Other finance costs	13,679	14,193
	<u>2,971,424</u>	<u>2,842,420</u>

The interest costs have been capitalised at an average rate of 5.10% per annum (2008: 6.26%) for construction in progress.

## 8 PROFIT/(LOSS) BEFORE TAXATION

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

	2009	2008
	RMB'000	RMB'000
Amortisation		
— lease prepayments	40,690	43,165
— intangible assets	4,132	—
Auditors' remuneration	9,900	9,000
Cost of inventories	23,760,024	23,642,969
Depreciation	4,075,406	3,625,938
Government grants included in other net income	(62,143)	(216,227)
Loss/(gain) on disposal of property, plant and equipment	2,973	(58,044)
Impairment losses on trade and other receivables	1,905	9,279
(Reversal of)/provision for stock obsolescence	(283)	1,771
Operating lease charges in respect of land and buildings	84,211	44,272
Research and development costs	9,160	8,743
	<u>9,160</u>	<u>8,743</u>

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

## 9 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Retirement benefits	Bonuses	2009 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Directors</b>					
Yun Gongmin	—	—	—	—	—
Chen Feihu	—	—	—	—	—
Chen Dianlu	—	—	—	—	—
Meng Fanli	—	—	—	—	—
Chen Jianhua	—	345	42	406	793
Wang Yingli	—	—	—	—	—
Chen Bin	—	—	—	—	—
Zhong Tonglin	—	345	41	406	792
Chu Yu	—	—	—	—	—
<b>Independent non-executive directors</b>					
Wang Yuesheng	—	41	—	—	41
Hao Shuchen	—	41	—	—	41
Ning Jiming	—	41	—	—	41
Yang Jinguan	—	41	—	—	41
Ding Huiping	—	25	—	—	25
Zhao Jinghua	—	25	—	—	25
Hu Yuanmu	—	25	—	—	25
Wang Chuanshun	—	25	—	—	25
<b>Supervisors</b>					
Zheng Feixue	—	124	24	236	384
Peng Xingyu	—	—	—	—	—
Li Xiaopeng	—	—	—	—	—
	—	1,078	107	1,048	2,233

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

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2008: two) are directors whose emoluments are disclosed in note 9. The aggregate of the emoluments of the remaining three highest paid individuals (2008: three) are as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other emoluments	836	747
Retirement benefits	103	141
Bonuses	1,004	868
	<u>1,943</u>	<u>1,756</u>

The emoluments of the three (2008: three) individuals with the highest emoluments are within the following bands:

	2009	2008
	Number of individuals	Number of individuals
RMB Nil - RMB 1,000,000	<u>3</u>	<u>3</u>

## 11 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of comprehensive income represents:

	2009	2008
	RMB'000	RMB'000
<b>Current tax</b>		
Charge for PRC enterprise income tax for the year	113,847	12,021
Under/(over)-provision in respect of previous years	2,969	(25,558)
	<u>116,816</u>	<u>(13,537)</u>
<b>Deferred tax (note 31(b))</b>		
Origination and reversal of temporary differences	(15,543)	(136,919)
Under-provision in respect of previous year	—	19,777
	<u>(15,543)</u>	<u>(117,142)</u>
Total income tax expense/(credit) in the consolidated statement of comprehensive income	<u>101,273</u>	<u>(130,679)</u>

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

	2009	2008
	RMB'000	RMB'000
Profit/(loss) before taxation	<u>1,683,272</u>	<u>(3,189,801)</u>
Notional PRC enterprise income tax expense/(credit) at a statutory tax rate of 25% (2008: 25%)	420,818	(797,450)
Tax effect of non-deductible expenses	48,296	76,767
Tax effect of non-taxable income	(86,270)	(49,776)
Preferential tax rate on subsidiaries' (income)/loss (Note)	(35,265)	24,326
Tax effect of tax losses	(249,275)	621,235
Under/(over)-provision in respect of previous years	2,969	(5,781)
	<u>101,273</u>	<u>(130,679)</u>

Note:

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

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 12 PROFIT/(LOSS) ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity shareholders of the Company includes a loss of RMB 172,026,000 (2008: RMB 807,512,000) which has been dealt with in the financial statements of the Company.

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

	2009	2008
	RMB'000	RMB'000
Amount of consolidated loss attributable to shareholders dealt with in the Company's financial statements	(172,026)	(807,512)
Final dividends from subsidiaries, associates and a jointly controlled entity attributable to the profits of the previous financial year, approved and paid during the year	224,914	216,260
Impairment losses of associates attributable to the losses of the previous year	—	(25,071)
Company's profit/(loss) for the year	<u>52,888</u>	<u>(616,323)</u>

## 13 OTHER COMPREHENSIVE INCOME

	2009	2008
	RMB'000	RMB'000
Available-for-sale securities		
Changes in fair value recognised during the period	46,515	(20,561)
Reclassification adjustments for amounts transferred to profit or loss:		
— losses on disposal	1,021	2,733
Net deferred tax debited to other comprehensive income (note 31(b))	(7,185)	—
Net movement in the fair value reserve during the period recognised in other comprehensive income	<u>40,351</u>	<u>(17,828)</u>

## 14 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 year ended 31 December 2009 of RMB 1,157,173,000 (2008: loss attributable to ordinary equity shareholders of the Company of RMB 2,560,103,000) and the weighted average of 6,083,584,200 (2008: 6,021,084,200) ordinary shares in issue during the year ended 31 December 2009, calculated as follows:

Weighted average number of ordinary shares

	2009	2008
	'000	'000
Issued ordinary shares at 1 January	6,021,084	6,021,084
Effect of shares issued (note 33(c))	62,500	—
Weighted average number of ordinary shares at 31 December	<u>6,083,584</u>	<u>6,021,084</u>

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 14 EARNINGS/(LOSSES) PER SHARE (CONTINUED)

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

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2009 and 2008.

## 15 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 customers are the power grid operators in relation to the sale of electricity and the revenue has been disclosed in note 39(b).

## 16 PROPERTY, PLANT AND EQUIPMENT

### (a) The Group

	Buildings	Generators and related machinery and equipment	Mining structures and mining rights	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>					
At 1 January 2008	15,185,338	49,864,376	—	935,718	65,985,432
Additions	1,642	11,165	—	47,593	60,400
Through acquisition of subsidiaries	2,050,342	4,402,278	—	108,315	6,560,935
Transferred from construction in progress (note 17)	1,363,283	4,050,945	—	55,921	5,470,149
Disposals	(100,014)	(637,062)	—	(40,792)	(777,868)
At 31 December 2008	18,500,591	57,691,702	—	1,106,755	77,299,048
At 1 January 2009	18,500,591	57,691,702	—	1,106,755	77,299,048
Additions	1,616	14,408	—	33,763	49,787
Through acquisition of subsidiaries (note 36)	205,166	290,437	1,692,340	32,688	2,220,631
Transferred from construction in progress (note 17)	1,638,840	4,631,860	—	172,466	6,443,166
Disposals	(23,590)	(188,949)	—	(19,486)	(232,025)
At 31 December 2009	20,322,623	62,439,458	1,692,340	1,326,186	85,780,607
<b>Accumulated depreciation:</b>					
At 1 January 2008	2,723,895	10,414,598	—	412,127	13,550,620
Charge for the year	620,606	2,898,973	—	106,359	3,625,938
Written back on disposals	(96,665)	(620,134)	—	(36,984)	(753,783)
At 31 December 2008	3,247,836	12,693,437	—	481,502	16,422,775
At 1 January 2009	3,247,836	12,693,437	—	481,502	16,422,775
Charge for the year	774,685	3,133,895	—	166,826	4,075,406
Written back on disposals	(23,442)	(178,507)	—	(18,226)	(220,175)
At 31 December 2009	3,999,079	15,648,825	—	630,102	20,278,006
<b>Net book value:</b>					
At 31 December 2009	16,323,544	46,790,633	1,692,340	696,084	65,502,601
At 31 December 2008	15,252,755	44,998,265	—	625,253	60,876,273

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

### (b) The Company

	Buildings	Generators and related machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>				
At 1 January 2008	5,028,999	14,206,932	511,673	19,747,604
Additions	—	1,797	14,957	16,754
Transferred from construction in progress (note 17)	43,166	245,595	16,576	305,337
Transferred to a subsidiary	—	—	(3,179)	(3,179)
Disposals	(18,545)	(360,093)	(25,045)	(403,683)
At 31 December 2008	5,053,620	14,094,231	514,982	19,662,833
At 1 January 2009	5,053,620	14,094,231	514,982	19,662,833
Additions	—	2,183	10,984	13,167
Transferred from construction in progress (note 17)	148,496	469,398	3,985	621,879
Transferred to a subsidiary	—	—	(2,384)	(2,384)
Disposals	—	(88,082)	(2,618)	(90,700)
At 31 December 2009	5,202,116	14,477,730	524,949	20,204,795
<b>Accumulated depreciation:</b>				
At 1 January 2008	1,958,910	7,591,942	275,599	9,826,451
Charge for the year	193,985	752,509	31,952	978,446
Transferred to a subsidiary	—	—	(503)	(503)
Written back on disposals	(17,782)	(349,286)	(22,168)	(389,236)
At 31 December 2008	2,135,113	7,995,165	284,880	10,415,158
At 1 January 2009	2,135,113	7,995,165	284,880	10,415,158
Charge for the year	184,282	647,415	28,294	859,991
Transferred to a subsidiary	—	—	(492)	(492)
Written back on disposals	—	(79,710)	(2,177)	(81,887)
At 31 December 2009	2,319,395	8,562,870	310,505	11,192,770
<b>Net book value:</b>				
At 31 December 2009	2,882,721	5,914,860	214,444	9,012,025
At 31 December 2008	2,918,507	6,099,066	230,102	9,247,675

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



# Notes to The Financial Statements (Continued)

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## 17 CONSTRUCTION IN PROGRESS

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	13,099,105	6,062,608	1,724,674	981,756
Through acquisition of subsidiaries (note 36)	51,931	4,359,780	—	—
Additions	12,608,125	8,146,866	889,617	1,529,589
Transferred to property, plant and equipment (note 16)	(6,443,166)	(5,470,149)	(621,879)	(305,337)
Transferred to subsidiaries	—	—	(416,412)	(481,334)
At 31 December	<b>19,315,995</b>	13,099,105	<b>1,576,000</b>	1,724,674

## 18 LEASE PREPAYMENTS

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

## 19 INTANGIBLE ASSETS

	The Group			
	Goodwill	Land use rights	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>				
At 1 January 2008	44,431	—	—	44,431
Through acquisition of subsidiaries	181,636	834,839	—	1,016,475
At 31 December 2008	226,067	834,839	—	1,060,906
At 1 January 2009	226,067	834,839	—	1,060,906
Through acquisition of subsidiaries (note 36)	54,164	—	670	54,834
Additions	—	—	15,176	15,176
At 31 December 2009	280,231	834,839	15,846	1,130,916
<b>Accumulated amortisation:</b>				
At 1 January 2008, 31 December 2008 and 1 January 2009	—	—	—	—
Charge for the year	—	—	(4,132)	(4,132)
At 31 December 2009	—	—	(4,132)	(4,132)
<b>Net book value:</b>				
At 31 December 2009	<b>280,231</b>	<b>834,839</b>	<b>11,714</b>	<b>1,126,784</b>
At 31 December 2008	<b>226,067</b>	<b>834,839</b>	<b>—</b>	<b>1,060,906</b>

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

# Notes to The Financial Statements (Continued)

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## 19 INTANGIBLE ASSETS (CONTINUED)

	The Company		
	Goodwill	Others	Total
	RMB'000	RMB'000	RMB'000
<b>Cost:</b>			
At 1 January 2008, 31 December 2008 and 1 January 2009	45,457	—	45,457
Additions	—	9,765	9,765
At 31 December 2009	45,457	9,765	55,222
<b>Accumulated amortisation:</b>			
At 1 January 2008, 31 December 2008 and 1 January 2009	—	—	—
Charge for the year	—	(1,472)	(1,472)
At 31 December 2009	—	(1,472)	(1,472)
<b>Net book value:</b>			
At 31 December 2009	45,457	8,293	53,750
At 31 December 2008	45,457	—	45,457

Intangible assets of the Company's balance sheet mainly represent goodwill arose from business combinations.

## 20 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2009	2008
	RMB'000	RMB'000
Unlisted investments, at cost	16,891,200	10,464,403

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2009 are as follows:

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

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2009 are as follows (continued):

Name of company	Paid up capital RMB'000	Proportion of ownership interest			Principal activities
		Group's effective interest %	Held by the Company %	Held by a subsidiary %	
Huadian Zibo Thermal Power Company Limited	374,800	100	100	—	Generation and sale of electricity and heat
Huadian Zhangqiu Power Generation Company Limited	750,000	87.5	87.5	—	Generation and sale of electricity and heat
Huadian Tengzhou Xinyuan Thermal Power Company Limited	474,172	93.26	93.26	—	Generation and sale of electricity and heat
Huadian Xinxiang Power Generation Company Limited	385,100	90	90	—	Generation and sale of electricity
Anhui Huadian Suzhou Power Generation Company Limited	831,352	97	97	—	Generation and sale of electricity
Huadian Ningxia Lingwu Power Generation Company Limited	1,565,379	65	65	—	Generation and sale of electricity
Sichuan Huadian Luding Hydropower Company Limited	1,266,090	100	100	—	Development of hydro power plant
Huadian International Shandong Materials Company Limited	50,000	100	100	—	Procurement of materials
Huadian Qingdao Heat Company Limited	30,000	55	55	—	Sale of heat
Huadian International Shandong Project Company Limited	3,000	100	100	—	Management of construction project
Huadian International Shandong Information Company Limited	3,000	100	100	—	Development and maintenance of information system to the Group
Huadian Zouxian Power Generation Company Limited	3,000,000	69	69	—	Generation and sale of electricity
Huadian Ningxia Ningdong Wind Power Company Limited	90,000	100	100	—	Generation and sale of electricity
Anhui Huadian Wuhu Power Generation Company Limited	536,032	65	65	—	Generation and sale of electricity
Huadian Suzhou Biomass Energy Power Company Limited	52,480	78	78	—	Generation and sale of electricity
Huadian Luohe Power Generation Company Limited	500,400	75	75	—	Generation and sale of electricity
Tengzhou Xinyuan Heat Company Limited	30,000	65.28	—	70	Sale of heat
Hangzhou Huadian Banshan Power Generation Company Limited ("Banshan Company")	480,762	64	64	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Company")	789,740	82	82	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited	500,000	87.87	—	100	Generation and sale of electricity and heat

# Notes to The Financial Statements (Continued)

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## 20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, at 31 December 2009 are as follows (continued):

Name of company	Paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
	RMB'000	%	%	%	
Huadian Inner Mongolia Kailu Wind Power Company Limited	797,128	100	100	—	Development of wind power plant
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited	75,000	81	—	90	Development of coal-fired power plant
Hebei Huadian Complex Pumping-storage Power Company Limited ("Hebei Company")	10,000	100	100	—	Generation and sale of electricity
Sichuan Huadian Zagunao Hydroelectric Development Company Limited ("Zagunao Company") (Note (i))	628,983	49	49	—	Generation and sale of electricity
Huadian Laizhou Wind Power Generation Company Limited	146,060	55	55	—	Generation and sale of electricity
Hebei Huarui Energy Group Corporation Limited ("Huarui Company") (note 36(a))	538,000	100	100	—	Generation and sale of electricity and heat
Hebei Huafeng Investment Company Limited (Note (ii))	977,300	96.68	—	96.68	Energy projects investment
Hebei Fengyuan Industrial Company Limited (Note (ii))	102,000	100	—	100	Sale of coal and chemical products
Jingxing Huarui Power Generation Company Limited (Note (ii))	6,000	55	—	55	Generation and sale of electricity
Hebei Huarui Matou Thermal Power Company Limited (Note (ii))	10,080	51	—	51	Generation and sale of electricity and heat
Shijiazhuang Guanghua Thermal Power Company Limited (Note (ii))	100,000	50.30	—	50.30	Generation and sale of electricity and heat
Handan Wanxing Power Thermal Company Limited (Note (ii))	10,000	57.34	—	57.34	Generation and sale of electricity and heat
Shanxi Maohua Energy Investment Company Limited (Note (iii))	1,547,000	100	100	—	Investment and management in coal, electricity and heat industry
Shanxi Dongyi Zhonghou Coal Company Limited ("Dongyi Company") (note 36(b))	12,180	70	—	70	Resources consolidation, improvement and expansion services
Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited ("Erpu Company") (note 36(b))	10,000	70	—	70	Resources consolidation, improvement and expansion services
Hebei Huadian Guyuan Wind Power Company Limited (Note (iii))	336,100	100	100	—	Development of wind power plant
Huadian Ningxia Ningdong Shangde Solar Energy Company Limited (Note (iii))	7,600	60	60	—	Development of solar energy power plant
Huadian Kezuozhongqi Wind Power Company Limited (Note (iii))	20,000	100	100	—	Development of wind power plant
Huadian Qudong Power Generation Company Limited (Note (iii))	168,600	90	90	—	Development of coal-fired power plant

# Notes to The Financial Statements (Continued)

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## 20 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

- (i) According to the articles of association of these companies, the Company holds majority of members in the board of directors of these companies and therefore has the power to govern the financial and operating policies of these companies as to obtain benefits from their activities.
- (ii) These companies were acquired through the acquisition of Huarui Company in 2009 (note 36(a)).
- (iii) These companies were newly set up in 2009.

## 21 INTERESTS IN ASSOCIATES

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	—	—	2,349,916	1,766,826
Share of net assets	3,969,310	1,969,653	—	—
	3,969,310	1,969,653	2,349,916	1,766,826
Less: impairment loss	—	—	(360,544)	(288,721)
	3,969,310	1,969,653	1,989,372	1,478,105

The particulars of associates, all of which are unlisted limited liability companies established and operating in the PRC, at 31 December 2009 are as follows:

Name of company	Paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
	RMB'000	%	%	%	
Ningxia Power Generation Company (Group) Limited ("Ningxia Power Company")	1,011,600	31.11	31.11	—	Generation and sale of electricity and investment holding
Anhui Chizhou Jiu Hua Power Generation Company Limited	640,000	40	40	—	Generation and sale of electricity
Huadian Property Co. Ltd. ("Huadian Property")	1,450,000	20	20	—	Property development
Sichuan Luzhou Chuannan Power Generation Company Limited	915,000	40	40	—	Generation and sale of electricity
Huadian Coal Industry Group Company Limited ("Huadian Coal")	1,560,000	21.24	20.19	1.28	Provision of coal procurement service
Zoucheng Lunan Electricity Power Technology Development Company Limited	4,333	40	40	—	Provision of service
China Huadian Finance Corporation Limited ("China Huadian Finance")	1,390,000	23.50	20.46	4.75	Provision of corporate financial service to its group companies
China Huadian New Energy Development Company Limited ("Huadian New Energy")	1,258,026	20	20	—	New energy projects management and investment holding
Huadian Jinshajiang Upstream Hydropower Development Co. Ltd. ("Jinshajiang Company")	30,000	20	20	—	Development of hydropower plant

# Notes to The Financial Statements (Continued)

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## 21 INTERESTS IN ASSOCIATES (CONTINUED)

The particulars of associates, all of which are unlisted limited liability companies established and operating in the PRC, at 31 December 2009 are as follows (continued):

Name of company	Paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by a subsidiary	
	RMB'000	%	%	%	
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	133,250	36	—	45	Development of coal mines and sale of coal
Shijiazhuang Huadian Heat Company Limited	207,370	40.18	—	49	Sale of heat
Pingshan Gangnan Hydroelectric Power Company Limited (Note (i))	6,000	35	—	35	Generation and sale of electricity
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Company") (Note (i))	12,930	33.33	—	33.33	Generation and sale of electricity and heat
Xingtai Xiangtai Thermal Power Company Limited ("Xiangtai Company") (Note (i))	4,000	26	—	26	Generation and sale of electricity and heat
Longyao Huarui Thermal Power Company Limited (Note (i))	70,000	25	—	25	Generation and sale of electricity and heat
Hengshui Hengxing Power Generation Company Limited ("Hengxing Company") (Note (i))	475,000	30	—	30	Generation and sale of electricity and heat
Hebei Tianwei Huarui Electric Company Limited (Note (i))	100,000	34	—	34	Production, sale and repairs of transformers
Hebei Jiantou Yuzhou Wind Power Company Limited (Note (i))	206,000	44.08	—	44.08	Generation and sale of electricity
Xingtai Guotai Power Generation Company Limited ("Guotai Company") (Note (i))	400,000	33.84	—	35	Generation and sale of electricity and heat
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company") (Note (i))	880,000	33.84	—	35	Generation and sale of electricity and heat
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited (Note (i))	500,000	19.34	—	20	Generation and sale of electricity and heat
Guodian Huaian Thermal Power Company Limited (Note (i))	514,800	33.84	—	35	Generation and sale of electricity and heat
Hebei Jiantou Renqiu Thermal Power Company Limited (Note (i))	98,850	38.67	—	40	Development of coal-fired power plant
Ertuoqeqianqi Changcheng Mine Company Limited (Note (ii))	20,000	25	25	—	Development of coal mines and sale of coal
Inner Mongolia Fucheng Mining Company Limited (Note (ii))	150,000	35	35	—	Development of coal mines

Notes:

- (i) These companies were acquired through the acquisition of Huarui Company in 2009 (note 36(a)).
- (ii) These companies were acquired by the Company in 2009.



# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 21 INTERESTS IN ASSOCIATES (CONTINUED)

### Summary financial information on associates

	Assets	Liabilities	Equity	Revenues	Profit/(loss)
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>2009</b>					
100 percent	82,802,719	(67,230,966)	15,571,753	19,938,312	827,411
Group's effective interest	<u>22,975,870</u>	<u>(18,835,335)</u>	<u>4,140,535</u>	<u>6,014,670</u>	<u>212,399</u>
<b>2008</b>					
100 percent	42,763,527	(35,303,926)	7,459,601	8,879,278	(63,675)
Group's effective interest	<u>10,821,070</u>	<u>(8,933,805)</u>	<u>1,887,265</u>	<u>2,505,061</u>	<u>(139,788)</u>

## 22 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	—	—	142,800	142,800
Share of net assets	<u>221,799</u>	<u>221,817</u>	<u>—</u>	<u>—</u>
	<u>221,799</u>	<u>221,817</u>	<u>142,800</u>	<u>142,800</u>

The particulars of the jointly controlled entity, which is a unlisted limited liability company established and operating in the PRC, at 31 December 2009 are as follows:

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

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

	2009	2008
	RMB'000	RMB'000
Non-current assets	920,467	976,601
Current assets	119,525	77,501
Non-current liabilities	(720,524)	(716,168)
Current liabilities	<u>(97,669)</u>	<u>(116,117)</u>
Net assets	<u>221,799</u>	<u>221,817</u>
Revenue	335,592	380,801
Expenses	<u>(331,147)</u>	<u>(353,592)</u>
Profit for the year	<u>4,445</u>	<u>27,209</u>

# Notes to The Financial Statements (Continued)

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## 23 OTHER INVESTMENTS

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
— Unlisted, equity securities, at cost	<b>578,542</b>	501,253	<b>460,309</b>	455,309
— Listed available-for-sale equity securities in PRC	<b>58,288</b>	—	—	—
	<b>636,830</b>	501,253	<b>460,309</b>	455,309

## 24 OTHER NON-CURRENT ASSETS

Other non-current assets represented the prepayment for the proposed investments in accordance with related contracts.

## 25 INVENTORIES

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Coal and stalk	<b>908,239</b>	1,361,016	<b>125,907</b>	223,147
Fuel oil	<b>68,753</b>	70,070	<b>23,374</b>	24,840
Materials, components and spare parts	<b>369,177</b>	351,074	<b>139,017</b>	149,812
	<b>1,346,169</b>	1,782,160	<b>288,298</b>	397,799

All of the inventories for future usage are expected to be recovered within one year.

## 26 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors and bills receivable for the sale of electricity	<b>3,360,934</b>	1,868,395	<b>550,287</b>	—
Trade debtors and bills receivable for the sale of heat	<b>252,961</b>	128,404	—	1,645
Trade debtors and bills receivable for other operations	<b>1,964</b>	5,132	<b>1,581</b>	4,749
	<b>3,615,859</b>	2,001,931	<b>551,868</b>	6,394
Less: allowance for doubtful debts (note 26(b))	<b>(32,633)</b>	(32,633)	—	—
	<b>3,583,226</b>	1,969,298	<b>551,868</b>	6,394

As at 31 December 2009, the Group's commercial acceptance bills totalling of RMB 280,000,000 (2008: RMB Nil) have been discounted, all of which are due before June 2010.

# Notes to The Financial Statements (Continued)

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## 26 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

### (a) Ageing analysis

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

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Current	<b>3,558,083</b>	1,957,103	<b>551,868</b>	6,394
Less than 1 year past due	<b>20,570</b>	3,679	—	—
1 to 2 years past due	—	383	—	—
2 to 3 years past due	—	—	—	—
More than 3 years past due	<b>4,573</b>	8,133	—	—
Amount past due	<b>25,143</b>	12,195	—	—
	<b>3,583,226</b>	1,969,298	<b>551,868</b>	6,394

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.

### (b) Impairment of trade debtors and bills receivable

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

The movement in allowance for doubtful debts during the year is as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	<b>32,633</b>	23,091	—	—
Impairment loss recognised	—	9,542	—	—
At 31 December	<b>32,633</b>	32,633	—	—

At 31 December 2009, the Group's trade debtors and bills receivable totalling of RMB 37,206,000 (2008: RMB 40,766,000) were individually determined to be impaired. None of the Company's trade debtors and bills receivable were individually determined to be impaired. Management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB 32,633,000 (2008: RMB 32,633,000) was recognised. The Group does not hold any collateral over these balances.

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

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

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	<b>3,558,083</b>	1,957,103	<b>551,868</b>	6,394
Less than 1 year past due	<b>20,570</b>	3,679	—	—
1 to 2 years past due	—	383	—	—
	<b>20,570</b>	4,062	—	—
	<b>3,578,653</b>	1,961,165	<b>551,868</b>	6,394

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 27 RESTRICTED DEPOSITS

Restricted deposits represent cash pledged as collateral for bills payable.

## 28 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	<b>655,679</b>	677,394	<b>175,008</b>	474,026
Cash at other financial institutions	<b>482,369</b>	959,043	<b>17,131</b>	305,637
Deposits with banks and other financial institutions	<b>103,852</b>	232,868	<b>1,047</b>	625
	<b>1,241,900</b>	1,869,305	<b>193,186</b>	780,288

## 29 BORROWINGS

### (a) Bank loans

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
— short term bank loans	<b>12,707,006</b>	9,936,684	<b>3,856,783</b>	4,217,684
— current portion of long term bank loans	<b>3,751,915</b>	4,313,037	<b>470,000</b>	803,460
	<b>16,458,921</b>	14,249,721	<b>4,326,783</b>	5,021,144
After 1 year but within 2 years	<b>5,240,806</b>	5,412,235	<b>1,082,820</b>	630,000
After 2 years but within 5 years	<b>11,181,151</b>	10,429,290	<b>100,000</b>	340,000
After 5 years	<b>20,139,642</b>	20,220,286	<b>—</b>	—
	<b>36,561,599</b>	36,061,811	<b>1,182,820</b>	970,000
	<b>53,020,520</b>	50,311,532	<b>5,509,603</b>	5,991,144

All of the bank loans are unsecured, except for amounts totalling RMB 13,193,930,000 (2008: RMB 14,421,000,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity and trade debtors for the sale of electricity of these subsidiaries. None of the bank loans contain financial covenants.

# Notes to The Financial Statements (Continued)

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

## 29 BORROWINGS (CONTINUED)

### (a) Bank loans (continued)

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

	The Group	
	2009	2008
	RMB'000	RMB'000
<b>Renminbi loans</b>		
Floating interest rates mainly ranging from 4.05% to 5.51% per annum as at 31 December 2009 (2008: 4.54% to 7.83%), with maturities up to 2028	44,195,992	44,447,009
Fixed interest rates mainly ranging from 3.40% to 5.94% per annum as at 31 December 2009 (2008: 3.60% to 7.47%), with maturities up to 2023	7,495,223	4,520,000
<b>US dollar loans</b>		
Floating interest rates mainly ranging from 1.77% to 5.23% per annum as at 31 December 2009 (2008: 3.26% to 6.32%), with maturities up to 2017	1,168,538	727,722
Fixed interest rates mainly ranging from 5.13% to 7.76% per annum as at 31 December 2008, with maturities up to 2009	—	445,200
<b>EUR loans</b>		
Fixed interest rate of 2.25% per annum as at 31 December 2009 (2008: 2.25%), with maturity up to 2022	160,767	171,601
	<b>53,020,520</b>	<b>50,311,532</b>

	The Company	
	2009	2008
	RMB'000	RMB'000
<b>Renminbi loans</b>		
Floating interest rates mainly ranging from 4.37% to 4.86% per annum as at 31 December 2009 (2008: 4.54% to 6.80%), with maturities up to 2012	3,342,000	4,176,484
Fixed interest rates mainly ranging from 4.37% to 4.78% per annum as at 31 December 2009 (2008: 4.78% to 5.02%), with maturities up to 2010	1,040,000	686,000
<b>US dollar loans</b>		
Floating interest rates mainly ranging from 1.77% to 2.17% per annum as at 31 December 2009 (2008: 3.26% to 3.99%), with maturities up to 2011	1,127,603	683,460
Fixed interest rates mainly ranging from 5.13% to 7.76% per annum as at 31 December 2008, with maturities up to 2009	—	445,200
	<b>5,509,603</b>	<b>5,991,144</b>

The Group and the Company have US dollar bank loans amounting to US\$ 171,134,000 (2008: US\$ 171,616,000) and US\$ 165,139,000 (2008: US\$ 165,139,000) respectively. The Group has EUR bank loan amounting to EUR 16,410,000 (2008: EUR 17,766,000).

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 29 BORROWINGS (CONTINUED)

### (b) Loans from shareholders

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
— short term shareholders loans	1,134,310	660,000	674,310	500,000
— current portion of long term shareholders loans	570,603	—	335,000	—
	<u>1,704,913</u>	<u>660,000</u>	<u>1,009,310</u>	<u>500,000</u>
After 1 year but within 2 years	750,000	570,603	750,000	335,000
After 2 years but within 5 years	618,958	290,925	38,789	286,878
After 5 years	650,000	1,090,000	—	—
	<u>2,018,958</u>	<u>1,951,528</u>	<u>788,789</u>	<u>621,878</u>
	<u>3,723,871</u>	<u>2,611,528</u>	<u>1,798,099</u>	<u>1,121,878</u>

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

	The Group	
	2009	2008
	RMB'000	RMB'000
<b>Loans from Shandong International Trust Corporation ("SITC")</b>		
Floating interest rates ranging from 4.43% to		
5.94% per annum as at 31 December 2009 (2008: 5.35% to 5.94%), with maturities up to 2011	1,385,000	585,000
Fixed interest rates ranging from 4.03% to		
7.30% per annum as at 31 December 2009 (2008: 7.30%), with maturity up to 2010	1,009,913	235,603
<b>Loans from China Huadian</b>		
Fixed interest rates ranging from 4.15% to		
5.62% per annum as at 31 December 2009 (2008: 4.15% to 7.23%), with maturities up to 2021	1,328,958	1,790,925
	<u>3,723,871</u>	<u>2,611,528</u>



# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 29 BORROWINGS (CONTINUED)

### (b) Loans from shareholders (continued)

	The Company	
	2009	2008
	RMB'000	RMB'000
<b>Loans from SITC</b>		
Floating interest rates ranging from 4.43% to 5.94% per annum as at 31 December 2009 (2008: 5.35% to 5.94%), with maturities up to 2011	1,385,000	585,000
Fixed interest rates ranging from 4.25% to 4.78% per annum as at 31 December 2009 (2008: Nil), with maturities up to 2010	374,310	—
<b>Loans from China Huadian</b>		
Fixed interest rate of 5.18% per annum as at 31 December 2009 (2008: 5.18% to 7.23%), with maturities up to 2013	38,789	536,878
	<b>1,798,099</b>	<b>1,121,878</b>

Note: At 31 December 2009, except for certain loans from China Huadian of the Group and the Company with a total nominal outstanding balance of RMB 220,690,000 (2008: RMB 52,690,000) and RMB 47,480,000 (2008: RMB 47,480,000) respectively, which are non-interest bearing, all loans from SITC and China Huadian of the Group and the Company are unsecured, interest bearing based on their respective costs of funds and with repayment terms disclosed above.

### (c) State loans

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
- current portion of long term state loans	12,893	10,192	12,002	10,192
After 1 year but within 2 years	13,757	12,904	12,866	12,013
After 2 years but within 5 years	12,003	23,868	9,331	21,196
After 5 years	11,455	13,363	6,109	7,126
	37,215	50,135	28,306	40,335
	50,108	60,327	40,308	50,527

The state loans represent an US dollar state loan amounting to US\$ 4,263,000 (2008: US\$ 5,754,000), which is guaranteed by Shandong Electric Power (Group) Corporation ("SEPCO") and bears a floating interest rate of 1.36% per annum (2008: 3.26%), with maturity up to 2012, and RMB loans amounting to RMB 21,000,000 (2008: RMB 21,000,000), which are unsecured and bear a fixed interest rate 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\$ 278.25 million was made available by the Shandong Provincial Government to the Company, and guaranteed by SEPCO.

The RMB state loans represents loans of RMB 13,500,000 obtained from Ministry of Finance of the PRC in 2006 and a loan of RMB 7,500,000 obtained from Ministry of Finance of Weifang Municipal Government in 2005.

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 29 BORROWINGS (CONTINUED)

### (d) Other loans

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
- short term other loans	2,952,064	1,409,450	850,000	550,000
- current portion of long term other loans	228,485	354,212	—	—
	<u>3,180,549</u>	<u>1,763,662</u>	<u>850,000</u>	<u>550,000</u>
After 1 year but within 2 years	1,551,470	298,592	200,000	—
After 2 years but within 5 years	1,772,710	1,540,860	900,000	200,000
After 5 years	497,397	467,117	—	—
	<u>3,821,577</u>	<u>2,306,569</u>	<u>1,100,000</u>	<u>200,000</u>
	<u>7,002,126</u>	<u>4,070,231</u>	<u>1,950,000</u>	<u>750,000</u>

All of the other loans are unsecured except for amounts totalling RMB 472,270,000 (2008: RMB 480,150,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity of these subsidiaries. All of the other loans are denominated in RMB, except for an US dollar loan of the Group amounting to US\$ 1,155,000 (2008: US\$ 3,462,600). Details of the interest rates and maturity dates of other loans are as follows:

	The Group	
	2009	2008
	RMB'000	RMB'000
<b>Loans from China Huadian Finance</b>		
Floating interest rates ranging from 4.37% to 5.35% per annum as at 31 December 2009 (2008: 4.78% to 7.56%), with maturities up to 2025	3,497,756	2,788,696
Fixed interest rates ranging from 4.37% to 4.78% per annum as at 31 December 2009 (2008: 7.10% to 7.47%), with maturities up to 2010	680,000	600,000
<b>Others</b>		
Floating interest rates ranging from 3.19% to 5.40% per annum as at 31 December 2009 (2008: 5.31% to 6.80%), with maturities up to 2014	1,665,080	72,085
Fixed interest rates ranging from 4.13% to 4.86% per annum as at 31 December 2009 (2008: 6.92% to 7.32%), with maturities up to 2011	1,159,290	609,450
	<u>7,002,126</u>	<u>4,070,231</u>

# Notes to The Financial Statements (Continued)

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

## 29 BORROWINGS (CONTINUED)

### (d) Other loans (continued)

	The Company	
	2009	2008
	RMB'000	RMB'000
<b>Loans from China Huadian Finance</b>		
Floating interest rates ranging from 4.37% to 4.86% per annum as at 31 December 2009 (2008: 4.78% to 4.86%), with maturities up to 2011	700,000	400,000
<b>Others</b>		
Floating interest rates ranging from 4.75% to 5.18% per annum as at 31 December 2009 (2008: Nil), with maturities up to 2014	900,000	—
Fixed interest rates ranging from 4.62% to 4.78% per annum as at 31 December 2009 (2008: 6.72% to 6.92%), with maturities up to 2010	350,000	350,000
	<b>1,950,000</b>	<b>750,000</b>

### (e) Short-term debenture payables

On 17 March 2008, the Company issued short-term debentures of RMB 2,500,000,000 at par with a maturity period of 365 days in the PRC interbank debenture market. The short-term debentures bear interest at 5.45% per annum and are unsecured. The short-term debentures were repaid on 18 March 2009.

On 11 November 2009, the Company issued the first and second tranche of short-term debentures for the year of 2009 in the PRC interbank debenture market. Each tranche was issued at a total par value of RMB 1,500,000,000. The first tranche has a maturity period of 365 days and bears interest at 2.98% per annum. The second tranche has a maturity period of 270 days and bears interest at 2.80% per annum. Both tranches are unsecured.

### (f) 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 RMB 1,500,000,000 issued at par value of RMB 100 each with an interest rate of 3.38% per annum. The second tranche are 5-year notes totalling RMB 1,500,000,000 issued at par value of RMB 100 each with an interest rate of 3.96% per annum. Both tranches of medium-term notes are unsecured.

## 30 TRADE CREDITORS AND BILLS PAYABLE

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

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 31 INCOME TAX IN THE BALANCE SHEET

### (a) Current taxation in the balance sheet represents:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Charge for PRC enterprise income tax for the year	113,847	21,172	—	—
Payments made relating to the current year	(101,917)	(32,161)	—	(17,740)
Balance of PRC enterprise income tax relating to prior years	(49,235)	(28,518)	(23,907)	(6,167)
Net PRC enterprise income tax recoverable	<b>(37,305)</b>	(39,507)	<b>(23,907)</b>	(23,907)
Representing:				
Tax payable	24,217	10,216	—	—
Tax recoverable	(61,522)	(49,723)	(23,907)	(23,907)
	<b>(37,305)</b>	(39,507)	<b>(23,907)</b>	(23,907)

### (b) Deferred tax assets and liabilities recognised

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

#### The Group:

	Assets		Liabilities		Net	
	2009	2008	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pre-operating expenses	—	24,284	—	—	—	24,284
Provision for inventories and receivables	25,157	24,883	—	—	25,157	24,883
Depreciation of property, plant and equipment	—	—	(776,930)	(684,463)	(776,930)	(684,463)
Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment	57,166	59,618	(674,873)	(360,225)	(617,707)	(300,607)
Expenses to be claimed on paid basis	26,545	24,432	—	—	26,545	24,432
Capitalisation of general borrowing costs	—	—	(23,100)	(24,331)	(23,100)	(24,331)
Tax losses	344,615	261,416	—	—	344,615	261,416
Unrealised exchange gain	—	—	—	(29,868)	—	(29,868)
Others	6,118	2,303	—	—	6,118	2,303
	459,601	396,936	(1,474,903)	(1,098,887)	(1,015,302)	(701,951)
Set-off within legal tax units and jurisdictions	(192,600)	(161,093)	192,600	161,093	—	—
Net deferred tax assets/(liabilities)	<b>267,001</b>	235,843	<b>(1,282,303)</b>	(937,794)	<b>(1,015,302)</b>	(701,951)

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 31 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

### (b) Deferred tax assets and liabilities recognised (Continued)

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

#### The Company:

	2009	2008
	RMB'000	RMB'000
Provision for inventories and receivables	14,585	14,250
Fair value adjustment on equity investment	(62,280)	(62,280)
Expenses to be claimed on paid basis	7,695	7,023
Tax losses	—	28,700
Unrealised exchange gain	—	(28,700)
Net deferred tax liabilities	<b>(40,000)</b>	<b>(41,007)</b>

The components of deferred tax assets/(liabilities) recognised in the consolidated balance sheet and the movements during the year are as follows:

#### The Group:

	At 1 January 2008	Through acquisition of subsidiaries	Credited/ (charged) to profit or loss	At 31 December 2008	Through acquisition of subsidiaries	Credited/ (charged) to profit or loss	Charged to reserve	At 31 December 2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pre-operating expenses	18,249	—	6,035	24,284	—	(24,284)	—	—
Provision for inventories and receivables	23,841	—	1,042	24,883	—	274	—	25,157
Depreciation of property, plant and equipment	(545,110)	(13,191)	(126,162)	(684,463)	—	(92,467)	—	(776,930)
Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment	(158,604)	(151,026)	9,023	(300,607)	(321,709)	11,794	(7,185)	(617,707)
Expenses to be claimed on paid basis	16,767	10,272	(2,607)	24,432	—	2,113	—	26,545
Capitalisation of general borrowing costs	(25,562)	—	1,231	(24,331)	—	1,231	—	(23,100)
Tax losses	4,205	—	257,211	261,416	—	83,199	—	344,615
Unrealised exchange gain	—	—	(29,868)	(29,868)	—	29,868	—	—
Others	511	555	1,237	2,303	—	3,815	—	6,118
	<b>(665,703)</b>	<b>(153,390)</b>	<b>117,142</b>	<b>(701,951)</b>	<b>(321,709)</b>	<b>15,543</b>	<b>(7,185)</b>	<b>(1,015,302)</b>
			(note 11(a))		(note 36)	(note 11(a))	(note 13)	

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 31 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

### (b) Deferred tax assets and liabilities recognised (Continued)

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

#### The Company:

	At 1 January 2008	Credited/ (charged) to profit or loss	At 31 December 2008	Credited/ (charged) to profit or loss	At 31 December 2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Pre-operating expenses	—	—	—	—	—
Provision for inventories and receivables	14,203	47	14,250	335	14,585
Fair value adjustment on equity investment	(62,280)	—	(62,280)	—	(62,280)
Expenses to be claimed on paid basis	7,023	—	7,023	672	7,695
Tax losses	—	28,700	28,700	(28,700)	—
Unrealised exchange gain	—	(28,700)	(28,700)	28,700	—
	<u>(41,054)</u>	<u>47</u>	<u>(41,007)</u>	<u>1,007</u>	<u>(40,000)</u>

### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(v), the Group and the Company have not recognised deferred tax assets in respect of cumulative tax losses of RMB 1,747,596,000 (2008: RMB 2,810,589,000) and RMB 610,795,000 (2008: RMB 507,893,000) respectively. The tax losses of RMB 1,626,546,000 and RMB 121,050,000 will expire in 2013 and 2014 respectively under current tax legislation.

## 32 DEFERRED INCOME

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

The upfront connection and installation fee recognised for the year amounting to RMB 7,019,000 (2008: RMB 3,966,000) is included in "other net income" in the consolidated statement of comprehensive income.



# Notes to The Financial Statements (Continued)

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## 33 SHARE CAPITAL, RESERVES AND DIVIDENDS

### (a) Movements in components of equity

The reconciliation between the opening and closing balance of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained profits	Total equity
	RMB'000 (note 33(c))	RMB'000 (note 33(d)(i))	RMB'000 (note 33(d)(iii))	RMB'000 (note 33(d)(iii))	RMB'000	RMB'000
Balance at 1 January 2008	6,021,084	1,897,919	1,404,520	68,089	3,306,688	12,698,300
Contribution from holding company	—	10,604	—	—	—	10,604
Dividends approved (note 33(b))	—	—	—	—	(373,307)	(373,307)
Total comprehensive income for the year	—	—	—	—	(616,323)	(616,323)
Balance at 31 December 2008 and 1 January 2009	6,021,084	1,908,523	1,404,520	68,089	2,317,058	11,719,274
Shares issued (note 33(c))	750,000	2,703,700	—	—	—	3,453,700
Appropriation	—	—	13,404	—	(13,404)	—
Total comprehensive income for the year	—	—	—	—	52,888	52,888
Balance at 31 December 2009	<u>6,771,084</u>	<u>4,612,223</u>	<u>1,417,924</u>	<u>68,089</u>	<u>2,356,542</u>	<u>15,225,862</u>

### (b) Dividends

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

	2009	2008
	RMB'000	RMB'000
Final dividend proposed after balance sheet date of RMB 0.035 per share (2008: RMB Nil per share)	<u>236,988</u>	<u>—</u>

Pursuant to a resolution passed at the Directors' meeting held on 26 March 2010, final dividend of RMB 0.035 per share will be payable to shareholders for 2009, subject to the approval of the shareholders at the coming Annual General Meeting.

The final dividend proposed after the balance sheet date for 2009 was not recognised as a liability at the balance sheet date.

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

	2009	2008
	RMB'000	RMB'000
Final dividend in respect of the previous financial year approved and paid during the year, of RMB Nil per share (2008: RMB 0.062 per share)	<u>—</u>	<u>373,307</u>

# Notes to The Financial Statements (Continued)

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## 33 SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (c) Share capital

The registered, issued and fully paid capital of the Company comprises 5,340,056,200 A shares of RMB 1 each and 1,431,028,000 H shares of RMB 1 each (2008: 4,590,056,200 A shares of RMB 1 each and 1,431,028,000 H shares of RMB 1 each). All shares rank pari passu in all material respects.

In January 2005, the Company issued its 765,000,000 RMB ordinary shares with nominal value of RMB 1 each at an issue price of RMB 2.52 each for cash. The RMB ordinary shares include 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares were listed on the Shanghai Stock Exchange in February 2005. Total net proceeds raised from issuing the RMB ordinary shares amounted to RMB 1,885,501,000, of which RMB 765,000,000 was credited to share capital and the balance of RMB 1,120,501,000 was credited to the capital reserve account.

Pursuant to a notice issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented a share reform (the "Share Reform") on 28 July 2006. All holders of non-circulating shares transferred 3 shares for every 10 shares held by the registered holders of circulating A shares as at the book closing date of the implementation of the Share Reform (i.e. 28 July 2006), totalling 170,700,000 domestic shares. Effective from 1 August 2006, all domestic shares of the Company became eligible for listing and circulation on the Shanghai Stock Exchange.

On 1 December 2009, the Company completed a non-public offering to target subscribers to issue 750,000,000 A shares with a nominal value of RMB 1 each at an issue price of RMB 4.70 each. The 750,000,000 shares are listed on the Shanghai Stock Exchange but are subject to a period of restriction for disposal imposed ranging from 1 to 3 years from the date of completion of the issue. As at 31 December 2009, all of the 750,000,000 shares issued to target subscribers were still subject to restriction of disposal. Total net proceeds of the shares issued was RMB 3,453,700,000, of which RMB 750,000,000 was credited to share capital and the balance of RMB 2,703,700,000 was credited to the capital reserve account.

### (d) Nature and purposes of reserves

#### (i) Capital reserve

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

#### (ii) Statutory surplus reserves

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

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. The Board of Directors resolved to transfer 10% of the profit for the year ended 31 December 2009 (2008: resolved not to make any appropriation) to this reserve on 26 March 2010.

#### (iii) Revaluation reserve

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

#### (iv) Fair value reserve

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

### (e) Distributability of reserves

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2009, the retained profits available for distribution were RMB 2,356,542,000 (2008: RMB 2,317,058,000). After the balance sheet date the directors proposed a final dividend of RMB0.035 per share (2008: Nil), amounting to RMB236,988,000 (2008: Nil) (note 33(b)). This dividend has not been recognised as a liability at the balance sheet date.

# Notes to The Financial Statements (Continued)

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## 33 SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

### (f) Capital management

The Group's capital management objectives are:

- to ensure the Group's ability to continue as a going concern;
- to provide an adequate return to shareholders; and
- to maintain an optimal capital structure to reduce cost of capital.

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

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

The liabilities to assets ratio as at 31 December 2009 and 2008 were as follows:

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	<b>79,934,740</b>	69,480,647	<b>17,284,169</b>	13,768,704
Total assets	<b>101,239,898</b>	85,417,427	<b>32,510,031</b>	25,487,978
Liabilities to assets ratio	<b>79%</b>	81%	<b>53%</b>	54%

## 34 MATERIAL RELATED PARTY TRANSACTIONS

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

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

Name of related parties	Nature of relationship
China Huadian	A shareholder of the Company
SITC	A shareholder of the Company
China Huadian Engineering (Group) Corporation and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Group Capital Holdings Limited ("CHD Capital")	A fellow subsidiary of the Company
Huadian Tendering Co., Ltd. ("Huadian Tendering")	A fellow subsidiary of the Company
China Huadian Finance	An associate of the Group
Huadian Coal	An associate of the Group
Huadian New Energy	An associate of the Group
CHD Power Plant Operation Company Limited ("CHD Operation")	A fellow subsidiary of the Company
Longtan Coal Company	An associate of the Group
Ningxia Power Company	An associate of the Group
Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Company")	A fellow subsidiary of the Company
Huadian Technology & Trade Co., Ltd.	A fellow subsidiary of the Company
Huacheng Company	An associate of the Group
Xiangtai Company	An associate of the Group
Hengxing Company	An associate of the Group
Guotai Company	An associate of the Group
Xibaipo Company	An associate of the Group

# Notes to The Financial Statements (Continued)

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## 34 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 years ended 31 December 2008 and 2009:

	Note	2009	2008
		RMB'000	RMB'000
Construction costs and equipment costs paid and payable to fellow subsidiaries	(i)	194,526	233,930
Interest expenses paid to shareholders	(ii)	147,702	138,470
Interest expenses paid to associates	(ii)	209,007	184,888
Interest expenses paid to a fellow subsidiary	(ii)	2,249	1,974
Loans obtained from shareholders	(ii)	1,912,343	1,076,528
Loans obtained from an associate	(ii)	3,070,000	2,203,750
Loan obtained from a fellow subsidiary	(ii)	80,000	—
Loans repaid to shareholders	(ii)	800,000	200,000
Loans repaid to an associate	(ii)	2,280,940	2,119,237
Loan repaid to a fellow subsidiary	(ii)	—	30,000
Agency fees paid to a fellow subsidiary	(iii)	800	—
Service fees paid to an associate	(iv)	54,632	59,777
Properties rental and management fees payable to fellow subsidiaries	(vi)	42,046	—
Sale of electricity rights to associates	(vii)	169,393	—
Purchase of electricity from associates	(vii)	275,129	—
		<b>2,280,940</b>	<b>2,203,750</b>

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

	Note	2009	2008
		RMB'000	RMB'000
Prepaid construction and equipment costs to fellow subsidiaries	(i)	46,271	136,240
Construction and equipment costs payable to fellow subsidiaries	(i)	(45,334)	(14,482)
Loans from shareholders	(ii)	(3,723,871)	(2,611,528)
Loans from an associate	(ii)	(4,177,756)	(3,388,696)
Loan from a fellow subsidiary	(ii)	(80,000)	—
Deposits with an associate	(v)	582,758	1,196,566
Trade receivables from associates	(vii)	9,096	—
Trade payable to associates	(vii)	(1,301)	—
Other payable to shareholder	(viii)	(68,780)	(902,042)
		<b>(68,780)</b>	<b>(902,042)</b>

- (i) The amount represented construction costs and equipment costs paid and payable to China Huadian Engineering (Group) Company and its subsidiaries.
- (ii) Details of loans from SITC, China Huadian, China Huadian Finance, Huadian Coal, CHD Operation and Huadian Tendering are set out in note 29.
- (iii) Agency fees represented amount paid to CHD Capital for provision of factoring services by 0.1% of financing amount.
- (iv) Service fees represented amount paid to Huadian Coal for provision of management and co-ordination services in relation to coal procurement in the PRC. The service fee, which was determined by reference to the prevailing market rates for similar services and volume, shall not be more than RMB 3 per tonne of coal purchased.
- (v) The amount represented saving accounts and fixed deposits with China Huadian Finance, a non-bank financial institution in PRC, which bears interest ranging from 0.36% to 1.17% (2008: 0.36% to 1.17%) per annum.

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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## 34 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

- (vi) The amount represented the rental of leasehold properties from Anfu Company at an annual rental of approximately RMB 49,001,349 and the fee for the related property management services provided by Huadian Technology & Trade Co., Ltd at an annual fee of approximately RMB 7,059,452.
- (vii) The amount represented sale of electricity rights to and purchase of electricity from associates under power generation substitution agreements entered into between the Group and associates. Prices were determined by reference to sellers' production costs and buyers' applicable on-grid tariffs as determined by the National Development and Reform Commission of the PRC.
- (viii) Other payable to shareholder represented outstanding consideration payable to China Huadian for acquisition of Banshan Company, Hebei Company, Shijiazhuang Company and Zagunao Company.
- (ix) At 31 December 2009, Guang'an Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB 189,407,000 (2008: RMB 152,957,000).
- (x) At 31 December 2009, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB 160,767,000 (2008: RMB 351,600,000).

### (b) Transactions with key management personnel

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2009	2008
	RMB'000	RMB'000
Salaries and other emoluments	2,997	2,684
Retirement benefits	331	456
Bonuses	3,318	2,885
	<b>6,646</b>	<b>6,025</b>

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

### (c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 31 December 2009 and 2008, there was no material outstanding contribution to post-employment benefit plans.

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

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

Apart from transactions mentioned in notes 34(a), (b) and (c), the Group has transactions with other state-controlled entities included but not limited to the following:

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

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

# Notes to The Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)

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## 34 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:

	2009	2008
	RMB'000	RMB'000
Sale of electricity to power grid companies	<b>34,837,806</b>	29,275,040
Interest expenses	<b>2,259,995</b>	1,979,587
Purchase of construction materials and receiving construction work service	<b>11,820,750</b>	7,366,769

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

	2009	2008
	RMB'000	RMB'000
Receivables from sale of electricity	<b>3,342,667</b>	1,868,395
Loans payables	<b>(40,485,621)</b>	(38,686,055)
Cash at bank	<b>539,352</b>	534,380
Prepayments	<b>6,677,232</b>	4,743,941
Trade and other payables	<b>(5,469,954)</b>	(5,667,877)

## 35 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at a rate of 20% (2008: 20%) of the total staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group and its staff participate in a retirement plan managed by China Huadian to supplement the above-mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB 282,117,000 during the year (2008: RMB 198,979,000) which was charged to the consolidated statement of comprehensive income.

# Notes to The Financial Statements (Continued)

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## 36 ACQUISITION OF SUBSIDIARIES

### (a) Acquisition of Huarui Company

On 1 January 2009, the Company completed the acquisition of 100% equity interest in Huarui Company for a total consideration of RMB 766,895,000 which comprises RMB 763,445,000 being the consideration payable and RMB 3,450,000 being all the related expenses directly incurred by the Company in relation to the acquisition.

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisitions
	RMB'000	RMB'000	RMB'000
Trade debtors and other 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 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 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 liabilities	<u>800,140</u>	<u>11,350</u>	811,490
Less: Minority interests			(98,759)
Add: Goodwill			<u>54,164</u>
Consideration			766,895
Less: Cash and cash equivalents acquired			(195,286)
Other payables			<u>(218,700)</u>
Net cash outflow for the year			<u>352,909</u>

Other payables represented deferred payment of consideration which bears interest at 4.51% per annum, is unsecured and repayable by 31 December 2010.

The acquisitions contributed turnover amounting to RMB 1,141,653,000 and profit after tax amounting to RMB 224,956,000 for the year ended 31 December 2009.

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

### (b) Acquisition of Dongyi Company and 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 RMB 761,058,000 which comprises RMB 760,200,000 being the consideration payable to the original equity shareholders and RMB 858,000 being all the related expenses directly incurred by the Group in relation to the acquisition.



# Notes to The Financial Statements (Continued)

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## 36 ACQUISITION OF SUBSIDIARIES (CONTINUED)

### (b) Acquisition of Dongyi Company and Erpu Company (continued)

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

	Pre-acquisition carrying amounts	Fair value adjustments	Recognised values on acquisitions
	RMB'000	RMB'000	RMB'000
Other receivables	1,155	—	1,155
Inventories	3,932	—	3,932
Property, plant and equipment and construction in progress	618,833	1,255,803	1,874,636
Trade creditors and other payables	(478,545)	—	(478,545)
Deferred tax liabilities	—	(313,951)	(313,951)
Net identifiable assets and liabilities	<u>145,375</u>	<u>941,852</u>	1,087,227
Less: Minority interests			<u>(326,169)</u>
Consideration and net cash outflow for the year			<u>761,058</u>

The acquisitions did not contribute any turnover and profit after tax for the year ended 31 December 2009.

## 37 COMMITMENTS

### (a) Capital commitments

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

	The Group		The Company	
	2009	2008	2009	2008
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for				
— Development of power plants	<b>11,277,920</b>	18,224,867	<b>2,891,342</b>	2,621,631
— Investments	<b>2,565,499</b>	313,595	<b>3,835,739</b>	2,668,090
— Improvement projects and others	<b>76,262</b>	443,792	<b>34,721</b>	276,053
	<u><b>13,919,681</b></u>	18,982,254	<u><b>6,761,802</b></u>	5,565,774
Authorised but not contracted for				
— Development of power plants	<b>16,323,756</b>	7,609,763	<b>2,589,096</b>	628,463
— Improvement projects and others	<b>497,642</b>	431,899	<b>247,209</b>	209,896
	<u><b>16,821,398</b></u>	8,041,662	<u><b>2,836,305</b></u>	838,359
	<u><b>30,741,079</b></u>	27,023,916	<u><b>9,598,107</b></u>	6,404,133

At 31 December 2009, the Group did not have any proportionate share of the jointly controlled entity's capital expenditure commitments (2008: RMB Nil).

# Notes to The Financial Statements (Continued)

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## 37 COMMITMENTS (CONTINUED)

### (b) Operating lease commitments

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

	The Group and the Company	
	2009	2008
	RMB'000	RMB'000
Within 1 year	78,525	30,876
After 1 year but within 5 years	175,571	119,348
After 5 years	362,014	407,772
	<b>616,110</b>	<b>557,996</b>

## 38 CONTINGENT LIABILITIES

At 31 December 2009, apart from guarantees provided by the Group as disclosed in note 34(a), the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB 1,007,200,000 (2008: RMB 405,320,000).

## 39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to interest rate, credit, currency and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

### (a) Interest rate risk

The interest rates and terms of repayment of the outstanding interest-bearing liabilities of the Group and the Company are disclosed in notes 29 and 36. At 31 December 2009, fixed rate borrowings comprise 25% and 48% of total borrowings of the Group and the Company respectively (2008: 17% and 44%).

#### Sensitivity analysis

At 31 December 2009, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit after tax and total equity by approximately RMB 405,386,000 (2008: increase the Group's loss after tax and decrease total equity by approximately RMB 360,904,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) and consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

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## 39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (b) Credit risk

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

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

	2009	2008
	RMB'000	RMB'000
<b>Sale of electricity to:</b>		
SEPCO	<b>20,312,597</b>	20,651,061
Sichuan Electric Power Corporation	<b>3,035,431</b>	1,856,199
Ningxia Electric Power Company	<b>1,310,092</b>	1,503,812
Henan Electric Power Company	<b>1,989,946</b>	1,481,184
East China Grid Company Limited	<b>2,123,522</b>	1,969,671
Anhui Electric Power Company	<b>1,606,969</b>	185,019
Zhejiang Electric Power Company	<b>2,271,922</b>	1,232,673
Hebei Electric Power Company	<b>2,187,327</b>	395,421
	<b>—————</b>	<b>—————</b>
<b>Receivables from sale of electricity:</b>		
SEPCO	<b>1,397,081</b>	735,087
Sichuan Electric Power Corporation	<b>657,225</b>	441,103
Ningxia Electric Power Company	<b>86,567</b>	90,898
Henan Electric Power Company	<b>331,519</b>	194,122
East China Grid Company Limited	<b>191,786</b>	200,111
Anhui Electric Power Company	<b>237,266</b>	53,174
Zhejiang Electric Power Company	<b>—</b>	67,368
Hebei Electric Power Company	<b>441,223</b>	86,532
	<b>—————</b>	<b>—————</b>

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 38, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosure in note 38. Further quantitative disclosure in respect of the Group's exposure to credit risk arising from trade debtors are set out in note 26.

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

### (c) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the parent company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

# Notes to The Financial Statements (Continued)

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## 39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (c) Liquidity risk (continued)

#### The Group

	2009						2008					
	Contractual undiscounted cash outflow					Balance sheet carrying amount	Contractual undiscounted cash outflow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debentures	3,076,821	—	—	—	3,076,821	3,002,923	2,638,142	—	—	—	2,638,142	2,605,798
Bank loans	18,723,498	7,074,510	15,257,469	24,987,499	66,042,976	53,020,520	16,812,639	7,069,715	13,570,643	25,665,576	63,118,573	50,311,532
Loans from shareholders	1,851,652	837,930	828,733	690,728	4,209,043	3,723,871	741,630	305,313	524,138	1,429,525	3,000,606	2,611,528
State loans	14,104	14,654	13,429	13,115	55,302	50,108	11,780	22,824	30,782	16,466	81,852	60,327
Other loans	3,444,326	1,699,588	1,951,510	597,922	7,693,346	7,002,126	1,850,307	352,157	1,595,555	583,801	4,381,820	4,070,231
Trade creditors and bills payable	5,078,569	—	—	—	5,078,569	5,078,569	5,118,511	—	—	—	5,118,511	5,118,511
Amount due to holding company	75,190	—	—	—	75,190	75,190	1,011,218	—	—	—	1,011,218	964,096
Other payables	2,362,714	—	—	—	2,362,714	2,352,676	2,369,629	—	—	—	2,369,629	2,369,629
Medium-term notes	110,100	110,100	3,229,202	—	3,449,402	2,971,022	—	—	—	—	—	—
Long-term payables	—	426,626	—	—	426,626	426,626	—	—	—	—	—	—
	<b>34,736,974</b>	<b>10,163,408</b>	<b>21,280,343</b>	<b>26,289,264</b>	<b>92,469,989</b>	<b>77,703,631</b>	<b>30,553,856</b>	<b>7,750,009</b>	<b>15,721,118</b>	<b>27,695,368</b>	<b>81,720,351</b>	<b>68,111,652</b>

#### The Company

	2009						2008					
	Contractual undiscounted cash outflow					Balance sheet carrying amount	Contractual undiscounted cash outflow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debentures	3,076,821	—	—	—	3,076,821	3,002,923	2,638,142	—	—	—	2,638,142	2,605,798
Bank loans	4,452,124	1,108,014	100,257	—	5,660,395	5,509,603	5,220,381	676,118	357,442	—	6,253,941	5,991,144
Loans from shareholders	1,079,839	782,492	47,480	—	1,909,811	1,798,099	539,069	28,051	385,253	250,000	1,202,373	1,121,878
State loans	12,954	13,510	10,033	6,654	43,151	40,308	11,780	21,933	28,110	8,075	69,898	50,527
Other loans	921,641	250,471	953,520	—	2,125,632	1,950,000	581,749	13,789	207,669	—	803,207	750,000
Trade creditors and bills payable	1,072,005	—	—	—	1,072,005	1,072,005	1,486,181	—	—	—	1,486,181	1,486,181
Amount due to holding company	70,090	—	—	—	70,090	70,090	1,006,118	—	—	—	1,006,118	958,996
Amount due to subsidiaries	154,958	—	—	—	154,958	154,958	421,632	—	—	—	421,632	421,632
Other payables	509,886	—	—	—	509,886	499,848	250,453	—	—	—	250,453	250,453
Medium-term notes	110,100	110,100	3,229,202	—	3,449,402	2,971,022	—	—	—	—	—	—
	<b>11,460,418</b>	<b>2,264,587</b>	<b>4,340,492</b>	<b>6,654</b>	<b>18,072,151</b>	<b>17,068,856</b>	<b>12,155,505</b>	<b>739,891</b>	<b>978,474</b>	<b>258,075</b>	<b>14,131,945</b>	<b>13,636,609</b>

# Notes to The Financial Statements (Continued)

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

## 39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Currency risk

#### (i) Recognised assets and liabilities

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

#### (ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised major liabilities denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the year end date.

#### The Group

	2009		2008	
	United States Dollars	Euro	United States Dollars	Euro
	RMB'000	RMB'000	RMB'000	RMB'000
Trade creditors and bills payable	(5,697)	—	(9,595)	—
Bank loans	(1,168,538)	(160,767)	(1,172,922)	(171,601)
State loans	(29,108)	—	(39,327)	—
Other loans	(7,887)	—	(23,665)	—
Net exposure arising from recognised liabilities	<u>(1,211,230)</u>	<u>(160,767)</u>	<u>(1,245,509)</u>	<u>(171,601)</u>

#### The Company

	2009		2008	
	United States Dollars	Euro	United States Dollars	Euro
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	(1,127,603)	—	(1,128,660)	—
State loans	(29,108)	—	(39,327)	—
Net exposure arising from recognised liabilities	<u>(1,156,711)</u>	<u>—</u>	<u>(1,167,987)</u>	<u>—</u>

# Notes to The Financial Statements (Continued)

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

## 39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (d) Currency risk (continued)

#### (iii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) and consolidated equity in that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

#### The Group

	2009			2008		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on consolidated equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on consolidated equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
United States Dollars	(10%)	90,842	90,842	(10%)	92,694	92,694
Euro	(10%)	12,058	12,058	(10%)	12,870	12,870

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on the Group's profit after tax and equity measured in the Group's functional currency.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2008.

### (e) Fair values

#### (i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data

	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>								
Available-for-sale equity securities:								
— Listed	58,288	—	—	58,288	—	—	—	—

During the year there were no significant transfers between instruments in Level 1 and Level 2.

#### (ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008.

# Notes to The Financial Statements (Continued)

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

## 39 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

### (f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments set out in note 39(e) above.

#### (i) Securities

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

#### (ii) Long-term loans and borrowings

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

#### (iii) Other financial instruments

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

## 40 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Impairment for non-current assets

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

### (b) Depreciation

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



# Notes to The Financial Statements (Continued)

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

## 40 ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (c) Impairment for bad and doubtful debts

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

### (d) Deferred tax assets

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

### (e) Useful life of land use rights

Note 19 contains information relating to the indefinite life of the acquired land use rights which were assigned by the PRC's land bureau with indefinite land use period. Where the expectation is different from the original assumptions, such difference will impact carrying value of the intangible assets and amortisation and impairment loss on intangible assets charged to profit or loss in the period in which such assumptions have been changed.

### (f) 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.

## 41 NON-ADJUSTING POST BALANCE SHEET EVENTS

After the balance sheet date, the directors proposed a final dividend. Further details have been disclosed in note 33(b)(i).

## 42 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 year'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.

## 43 PARENT AND ULTIMATE HOLDING COMPANY

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

# Notes to The Financial Statements (Continued)

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

## 44 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Improvements to IFRSs 2008	1 July 2009
Revised IFRS 1, <i>First-time adoption of International Financial Reporting Standards</i>	1 July 2009
Revised IFRS 3, <i>Business combinations</i>	Applied to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009
Amendments to IAS 27, <i>Consolidated and separate financial statements</i>	1 July 2009
Amendment to IAS 39, <i>Financial instruments: Recognition and measurement - Eligible hedged items</i>	1 July 2009
IFRIC 17, <i>Distributions of non-cash assets to owners</i>	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 1, <i>First-time adoption of International Financial Reporting Standards</i> — <i>Additional exemptions for first-time adopters</i>	1 January 2010
Amendments to IFRS 2, <i>Share-based payment</i> — <i>Group cash-settled share-based payment transactions</i>	1 January 2010
Amendment to IAS 32, <i>Financial instruments: Presentation - Classification of rights issues</i>	1 February 2010
IFRIC 19, <i>Extinguishing financial liabilities with equity instruments</i>	1 July 2010
Amendment to IFRS 1, <i>First-time adoption of International Financial Reporting Standards</i> — <i>Limited exemption from comparative IFRS 7 disclosures for first-time adopters</i>	1 July 2010
Revised IAS 24, <i>Related party disclosures</i>	1 January 2011
Amendments to IFRIC 14, <i>IAS 19</i> — <i>The limit on a defined benefit asset, minimum funding requirements and their interaction</i> — <i>Prepayments of a minimum funding requirement</i>	1 January 2011
IFRS 9, <i>Financial instruments</i>	1 January 2013

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

In addition, the adoption of Revised IFRS 3, Amendments to IAS 27, Improvements to IFRSs 2009 and Revised IAS 24 are expected to result in amended disclosures in the financial statements, including restatement of comparative amounts in the first period of adoption.

# Five Years Financial Summary

(Expressed in Renminbi)

	2005	2006	2007	2008	2009
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	<u>12,964,047</u>	<u>14,699,964</u>	<u>20,341,122</u>	<u>29,997,264</u>	<u>36,449,643</u>
Profit/(loss) before taxation	1,664,378	1,879,412	1,789,567	(3,189,801)	<b>1,683,272</b>
Income tax (expense)/credit	<u>(507,425)</u>	<u>(520,469)</u>	<u>(269,102)</u>	<u>130,679</u>	<u>(101,273)</u>
Profit/(loss) for the year	<u>1,156,953</u>	<u>1,358,943</u>	<u>1,520,465</u>	<u>(3,059,122)</u>	<u>1,581,999</u>
Attributable to:					
Equity shareholders of the Company	1,066,421	1,201,201	1,196,860	(2,560,103)	<b>1,157,173</b>
Minority interests	<u>90,532</u>	<u>157,742</u>	<u>323,605</u>	<u>(499,019)</u>	<u>424,826</u>
Profit/(loss) for the year	<u>1,156,953</u>	<u>1,358,943</u>	<u>1,520,465</u>	<u>(3,059,122)</u>	<u>1,581,999</u>
Total non-current assets	31,412,629	50,379,076	61,563,473	78,861,310	<b>93,681,806</b>
Total current assets	<u>2,700,712</u>	<u>3,660,271</u>	<u>4,389,947</u>	<u>6,556,117</u>	<u>7,558,092</u>
Total assets	34,113,341	54,039,347	65,953,420	85,417,427	<b>101,239,898</b>
Total current liabilities	(7,788,747)	(18,622,129)	(24,221,200)	(27,751,825)	<b>(32,215,639)</b>
Total non-current liabilities	<u>(12,662,178)</u>	<u>(19,569,315)</u>	<u>(23,589,538)</u>	<u>(41,728,822)</u>	<u>(47,719,101)</u>
Net assets	<u>13,662,416</u>	<u>15,847,903</u>	<u>18,142,682</u>	<u>15,936,780</u>	<u>21,305,158</u>
Total equity attributable to equity shareholders of the Company	12,621,709	13,476,266	14,299,819	11,426,315	<b>16,086,182</b>
Minority interests	<u>1,040,707</u>	<u>2,371,637</u>	<u>3,842,863</u>	<u>4,510,465</u>	<u>5,218,976</u>
Total equity	<u>13,662,416</u>	<u>15,847,903</u>	<u>18,142,682</u>	<u>15,936,780</u>	<u>21,305,158</u>

# Report of The PRC Auditors

## All Shareholders of Huadian Power International Corporation Limited:

We have audited the accompanying financial statements of Huadian Power International Corporation Limited (the "Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2009, the consolidated income statement and income statement, the consolidated statement of changes in equity and statement of changes in equity, the consolidated cash flow statement and cash flow statement for the year then ended, and notes to the financial statements.

## 1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

## 2. AUDITORS' RESPONSIBILITY

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

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

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

## 3. OPINION

In our opinion, the financial statements comply with the requirements of China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2009, and the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company for the year then ended.

KPMG Huazhen

Beijing, the People's Republic of China

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

Zou Jun  
Zhang Nan

26 March 2010

# Consolidated balance sheet

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>Current assets</b>			
Cash at bank and on hand	V. 1	1,243,806	1,874,096
Bills receivable	V. 2	324,616	19,106
Trade receivables	V. 3	3,258,610	1,950,192
Prepayments	V. 5	482,153	169,985
Other receivables	V. 4	241,991	209,920
Inventories	V. 6	1,346,169	1,782,160
Other current assets	V. 7	660,747	550,658
		<hr/>	<hr/>
Total current assets		7,558,092	6,556,117
<b>Non-current assets</b>			
Available-for-sale financial assets	V. 8	58,288	—
Long-term equity investments	V. 9	4,739,637	2,662,709
Fixed assets	V. 10	63,763,462	60,814,906
Construction in progress	V. 11	12,570,492	8,203,492
Construction materials	V. 12	22,000	6,882
Construction and construction material prepayments		6,723,503	4,880,180
Intangible assets	V. 13	2,926,488	1,194,301
Goodwill	V. 14	107,686	53,522
Deferred tax assets	V. 15	285,257	269,418
Other non-current assets	V. 16	1,722,896	—
		<hr/>	<hr/>
Total non-current assets		92,919,709	78,085,410
		<hr/>	<hr/>
<b>Total assets</b>		<b>100,477,801</b>	<b>84,641,527</b>
<b>Current liabilities</b>			
Short-term loans	V. 19	16,793,380	12,006,134
Bills payable	V. 20	1,357,201	1,654,763
Trade payables	V. 21	3,721,368	3,463,748
Advances from customers	V. 22	82,077	52,934
Wages payable	V. 23	219,284	209,807
Taxes payable	V. 24	266,928	166,786
Interests payable	V. 25	225,166	140,600
Dividends payable		—	47,257
Other payables	V. 26	1,983,416	2,726,557
Short-term debenture payables	V. 27	3,002,923	2,605,798
Long-term loans due within one year	V. 28	4,563,896	4,677,441
		<hr/>	<hr/>
Total current liabilities		32,215,639	27,751,825
		<hr/>	<hr/>

The notes on pages 134 to 206 form part of these financial statements.

# Consolidated balance sheet (Continued)

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>Non-current liabilities</b>			
Long-term loans	V. 29	42,439,349	40,370,043
Debentures payable	V. 30	2,971,022	—
Long-term payables	V. 31	426,626	—
Special payables		29,220	28,590
Deferred tax liabilities	V. 15	1,145,797	809,884
Other non-current liabilities		405,048	218,292
		<b>47,417,062</b>	<b>41,426,809</b>
<b>Total non-current liabilities</b>			
		<b>47,417,062</b>	<b>41,426,809</b>
<b>Total liabilities</b>			
		<b>79,632,701</b>	<b>69,178,634</b>
<b>Shareholders' equity</b>			
Share capital	V. 32	6,771,084	6,021,084
Capital reserve	V. 33	4,258,129	1,503,793
Surplus reserve	V. 34	1,486,013	1,472,609
Retained profits	V. 35	3,169,574	2,020,550
		<b>15,684,800</b>	<b>11,018,036</b>
Total equity attributable to equity shareholders of the Company		<b>15,684,800</b>	<b>11,018,036</b>
Minority interests		5,160,300	4,444,857
		<b>20,845,100</b>	<b>15,462,893</b>
<b>Total shareholders' equity</b>			
		<b>20,845,100</b>	<b>15,462,893</b>
<b>Total liabilities and shareholders' equity</b>			
		<b>100,477,801</b>	<b>84,641,527</b>

These financial statements have been approved by the Board of Directors on 26 March 2010.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on pages 134 to 206 form part of these financial statements.

# Balance sheet

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>Current assets</b>			
Cash at bank and on hand		193,186	780,288
Bills receivable		1,581	4,749
Trade receivables	XI.1	550,287	1,645
Prepayments		86,213	18,712
Other receivables	XI.2	627,402	501,591
Inventories		288,298	397,799
Other current assets		43,265	54,871
		<u>1,790,232</u>	<u>1,759,655</u>
<b>Non-current assets</b>			
Long-term equity investments	XI.3	19,284,079	12,239,506
Fixed assets		9,018,696	9,254,800
Construction in progress		767,835	745,682
Construction and construction material prepayments		808,165	978,992
Intangible assets		158,710	164,384
Goodwill		12,111	12,111
Other non-current assets		439,043	—
		<u>30,488,639</u>	<u>23,395,475</u>
Total non-current assets		<u>30,488,639</u>	<u>23,395,475</u>
<b>Total assets</b>		<b><u>32,278,871</u></b>	<b><u>25,155,130</u></b>

The notes on pages 134 to 206 form part of these financial statements.



# Balance sheet (Continued)

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>Current liabilities</b>			
Short-term loans		5,381,093	5,267,684
Bills payable		884,014	1,322,974
Trade payables		187,991	163,207
Advances from customers		11,162	—
Wages payable		36,910	35,652
Taxes payable		58,347	26,877
Interests payable		102,045	15,638
Other payables		585,941	1,552,914
Short-term debenture payables		3,002,923	2,605,798
Long-term loans due within one year		817,002	813,652
		<hr/>	<hr/>
Total current liabilities		11,067,428	11,804,396
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Long-term loans		3,099,915	1,832,213
Debentures payable		2,971,022	—
Special payables		6,500	6,500
Deferred tax liabilities		40,000	41,007
Other non-current liabilities		19,998	—
		<hr/>	<hr/>
Total non-current liabilities		6,137,435	1,879,720
		<hr/>	<hr/>
<b>Total liabilities</b>		17,204,863	13,684,116
		<hr/>	<hr/>
<b>Shareholders' equity</b>			
Share capital		6,771,084	6,021,084
Capital reserve		4,208,451	1,489,496
Surplus reserve		1,486,013	1,472,609
Retained profits		2,608,460	2,487,825
		<hr/>	<hr/>
<b>Total shareholders' equity</b>		15,074,008	11,471,014
		<hr/>	<hr/>
<b>Total liabilities and shareholders' equity</b>		32,278,871	25,155,130
		<hr/>	<hr/>

These financial statements have been approved by the Board of Directors on 26 March 2010.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on pages 134 to 206 form part of these financial statements.

# Consolidated income statement

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>I. Operating income</b>	V. 36	<b>36,661,820</b>	31,960,778
<b>II. Operating costs</b>	V. 36	<b>(30,895,331)</b>	(30,993,916)
Sales taxes and surcharges	V. 37	<b>(247,718)</b>	(227,940)
Administrative expenses		<b>(1,167,866)</b>	(1,099,129)
Finance expenses	V. 38	<b>(2,948,463)</b>	(2,965,129)
Impairment losses	V. 40	<b>(1,622)</b>	(11,050)
Add: Investment income/(losses)	V. 39	<b>241,832</b>	(77,613)
Including: income/(losses) from associates and jointly controlled entity		<b>216,844</b>	(108,617)
<b>III. Operating profit/(loss)</b>		<b>1,642,652</b>	(3,413,999)
Add: Non-operating income	V. 41	<b>76,607</b>	275,549
Less: Non-operating expenses	V. 42	<b>(18,350)</b>	(24,063)
Including: losses on disposal of non-current assets		<b>(7,437)</b>	(10,832)
<b>IV. Total profit/(loss)</b>		<b>1,700,909</b>	(3,162,513)
Less: Income tax	V. 43	<b>(107,996)</b>	118,351
<b>V. Net profit/(loss)</b>		<b>1,592,913</b>	(3,044,162)
Attributable to:			
Equity shareholders of the Company		<b>1,162,428</b>	(2,558,096)
Minority interests		<b>430,485</b>	(486,066)
<b>VI. Earnings/(losses) per share (RMB):</b>			
(I) Basic earnings/(losses) per share	V. 44	<b>0.191</b>	(0.425)
(II) Diluted earnings/(losses) per share	V. 44	<b>0.191</b>	(0.425)
<b>VII. Other comprehensive income</b>	V. 45	<b>40,351</b>	(18,044)
<b>VIII. Total comprehensive income</b>		<b>1,633,264</b>	(3,062,206)
Attributable to:			
Equity shareholders of the Company		<b>1,201,504</b>	(2,574,943)
Minority interests		<b>431,760</b>	(487,263)

These financial statements have been approved by the Board of Directors on 26 March 2010.

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accounting department

The notes on pages 134 to 206 form part of these financial statements.

# Income statement

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>I. Operating income</b>	XI.4	<b>7,626,718</b>	8,378,918
<b>II. Operating costs</b>	XI.4	<b>(6,681,438)</b>	(8,159,933)
Sales taxes and surcharges		<b>(56,205)</b>	(64,510)
Administrative expenses		<b>(412,496)</b>	(380,977)
Finance expenses		<b>(585,882)</b>	(539,753)
Impairment losses		<b>(1,343)</b>	(186)
Add: Investment income	XI.5	<b>251,614</b>	53,552
Including: income/(losses) from associates and jointly controlled entity		<b>63,910</b>	(120,046)
<b>III. Operating profit/(loss)</b>		<b>140,968</b>	(712,889)
Add: Non-operating income		<b>2,320</b>	168,010
Less: Non-operating expenses		<b>(10,256)</b>	(13,161)
Including: losses on disposal of non-current assets		<b>(5,527)</b>	(6,295)
<b>IV. Total profit/(loss)</b>		<b>133,032</b>	(558,040)
Less: Income tax		<b>1,007</b>	26,156
<b>V. Net profit/(loss)</b>		<b>134,039</b>	(531,884)
<b>VI. Other comprehensive income</b>		<b>15,255</b>	(14,709)
<b>VII. Total comprehensive income</b>		<b>149,294</b>	(546,593)

These financial statements have been approved by the Board of Directors on 26 March 2010.

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The notes on pages 134 to 206 form part of these financial statements.

# Consolidated cash flow statement

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>I. Cash flow from operating activities:</b>			
Cash received from sale of goods and rendering of services		41,077,952	37,707,602
Refund of taxes		20,590	—
Other cash received relating to operating activities	V. 46(1)	265,230	146,249
		<u>41,363,772</u>	<u>37,853,851</u>
Sub-total of cash inflow from operating activities		41,363,772	37,853,851
Cash paid for goods and services		(29,223,632)	(29,013,571)
Cash paid to and for employees		(1,815,563)	(1,702,014)
Cash paid for all types of taxes		(2,809,799)	(2,938,166)
Other cash paid relating to operating activities	V. 46(2)	(846,927)	(683,782)
		<u>(34,695,921)</u>	<u>(34,337,533)</u>
Sub-total of cash outflow from operating activities		(34,695,921)	(34,337,533)
<b>Net cash inflow from operating activities</b>	V. 47(1)	<b>6,667,851</b>	<b>3,516,318</b>
<b>II. Cash flow from investing activities:</b>			
Cash received from return on investments		144,423	104,187
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,877	39,128
Other cash received relating to investing activities	V. 46(3)	27,535	34,540
		<u>180,835</u>	<u>177,855</u>
Sub-total of cash inflow from investing activities		180,835	177,855
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(12,395,853)	(11,428,885)
Cash paid for acquisition of investments		(2,466,049)	(598,125)
Cash paid for acquisition of subsidiaries and other business units	V. 47(2)	(2,604,552)	(909,753)
Other cash paid relating to investing activities	V. 46(4)	(6,703)	(2,920)
		<u>(17,473,157)</u>	<u>(12,939,683)</u>
Sub-total of cash outflow from investing activities		(17,473,157)	(12,939,683)
<b>Net cash outflow from investing activities</b>		<b>(17,292,322)</b>	<b>(12,761,828)</b>

The notes on pages 134 to 206 form part of these financial statements.

# Consolidated cash flow statement (Continued)

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>III. Cash flow from financing activities:</b>			
Cash received from investors		<b>3,500,360</b>	541,538
Including: cash received from minority shareholders of subsidiaries		<b>46,660</b>	541,538
Cash received from borrowings		<b>46,863,782</b>	44,220,930
Decrease in guarantee deposits of bank acceptance bills		<b>7,488</b>	48,164
Other cash received relating to financing activities	V. 46(5)	<b>765,640</b>	603,455
Sub-total of cash inflow from financing activities		<b>51,137,270</b>	45,414,087
Cash repayments of borrowings		<b>(37,128,060)</b>	(30,849,938)
Cash paid for dividends, profits distribution or interest		<b>(3,620,234)</b>	(3,992,276)
Including: dividends and profits paid to minority shareholders of subsidiaries		<b>(46,300)</b>	—
Increase in guarantee deposits of bank acceptance bills		<b>(4,603)</b>	(33,007)
Other cash paid relating to financing activities	V. 46(6)	<b>(387,307)</b>	(941,391)
Sub-total of cash outflow from financing activities		<b>(41,140,204)</b>	(35,816,612)
<b>Net cash inflow from financing activities</b>		<b>9,997,066</b>	9,597,475
<b>IV. Net (decrease)/increase in cash and cash equivalents</b>	V. 47(1)	<b>(627,405)</b>	351,965
Add: Cash and cash equivalents at the beginning of the year		<b>1,869,305</b>	1,517,340
<b>V. Cash and cash equivalents at the end of the year</b>		<b>1,241,900</b>	1,869,305

These financial statements have been approved by the Board of Directors on 26 March 2010.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on pages 134 to 206 form part of these financial statements.

# Cash flow statement

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>I. Cash flow from operating activities:</b>			
Cash received from sale of goods and rendering of services		8,244,058	9,817,135
Other cash received relating to operating activities		91,002	125,887
Sub-total of cash inflow from operating activities		8,335,060	9,943,022
Cash paid for goods and services		(6,509,020)	(7,388,023)
Cash paid to and for employees		(541,490)	(532,604)
Cash paid for all types of taxes		(551,777)	(850,731)
Other cash paid relating to operating activities		(521,804)	(424,702)
Sub-total of cash outflow from operating activities		(8,124,091)	(9,196,060)
<b>Net cash inflow from operating activities</b>	XI.6	210,969	746,962
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		250,000	5,556
Cash received from return on investments		146,034	172,977
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		4,269	22,564
Other cash received relating to investing activities		541,047	340,366
Sub-total of cash inflow from investing activities		941,350	541,463
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(906,329)	(1,597,318)
Cash paid for acquisitions of investments		(6,514,539)	(2,702,553)
Cash paid for acquisitions of subsidiaries and other business units		(1,381,458)	—
Other cash paid relating to investing activities		(598,287)	(64,027)
Sub-total of cash outflow from investing activities		(9,400,613)	(4,363,898)
<b>Net cash outflow from investing activities</b>		(8,459,263)	(3,822,435)

The notes on pages 134 to 206 form part of these financial statements.

# Cash flow statement (Continued)

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009	2008
<b>III. Cash flow from financing activities:</b>			
Cash received from investors		3,453,700	—
Cash received from borrowings		20,619,574	19,353,048
Other cash received relating to financing activities		21,179	313,850
Sub-total of cash inflow from financing activities		24,094,453	19,666,898
Cash repayments of borrowings		(15,735,954)	(15,918,294)
Cash paid for dividends, profits distribution or interest		(621,024)	(887,095)
Other cash paid relating to financing activities		(76,283)	(83,621)
Sub-total of cash outflow from financing activities		(16,433,261)	(16,889,010)
<b>Net cash inflow from financing activities</b>		<b>7,661,192</b>	<b>2,777,888</b>
<b>IV. Net decrease in cash and cash equivalents</b>	XI.6	<b>(587,102)</b>	<b>(297,585)</b>
Add: Cash and cash equivalents at the beginning of the year		780,288	1,077,873
<b>V. Cash and cash equivalents at the end of the year</b>		<b>193,186</b>	<b>780,288</b>

These financial statements have been approved by the Board of Directors on 26 March 2010.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
of accounting affairs

**Wang Huiping**  
The head of the  
accounting department

The notes on pages 134 to 206 form part of these financial statements.



# Consolidated statement of changes in equity

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2009					Total equity
		Attributable to shareholders' equity of the Company				Minority interests	
		Share capital	Capital reserve	Surplus reserve	Retained profits		
I. Balance at 31 December 2008/1 January 2009		6,021,084	1,503,793	1,472,609	2,020,550	4,444,857	15,462,893
II. Changes in equity for the year							
(I) Net profit		—	—	—	1,162,428	430,485	1,592,913
(II) Other comprehensive income		—	39,076	—	—	1,275	40,351
Sub-total		—	39,076	—	1,162,428	431,760	1,633,264
(III) Contribution by shareholders		750,000	2,703,700	—	—	—	3,453,700
(IV) Acquisition/disposal of minority interests		—	(8,248)	—	—	(204,999)	(213,247)
(V) Capital injection from minority shareholders to subsidiaries		—	—	—	—	133,356	133,356
(VI) Acquisition of subsidiaries		—	—	—	—	424,928	424,928
(VII) Profit appropriation	V. 35						
1. Appropriation for surplus reserve		—	—	13,404	(13,404)	—	—
2. Distributions to shareholders of subsidiaries		—	—	—	—	(89,781)	(89,781)
(VIII) Fair value adjustment of interest free loans granted by China Huadian Corporation		—	18,166	—	—	18,906	37,072
(IX) Capital contribution by the state		—	1,642	—	—	1,273	2,915
III. Closing balance of the year		6,771,084	4,258,129	1,486,013	3,169,574	5,160,300	20,845,100

The notes on pages 134 to 206 form part of these financial statements.

# Consolidated statement of changes in equity (Continued)

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	2008						
	Attributable to shareholders' equity of the Company					Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Retained profits			
I. Balance at 31 December 2007	6,021,084	2,061,906	1,472,609	4,780,035	3,874,121	18,209,755	
Adjustment of business combination involving entities under common control	—	1,137,384	—	219,714	539,907	1,897,005	
II. Balance at 1 January 2008	6,021,084	3,199,290	1,472,609	4,999,749	4,414,028	20,106,760	
III. Changes in equity for the year							
(I) Net loss	—	—	—	(2,558,096)	(486,066)	(3,044,162)	
(II) Other comprehensive income	—	(16,847)	—	—	(1,197)	(18,044)	
Sub-total	—	(16,847)	—	(2,558,096)	(487,263)	(3,062,206)	
(III) Capital injection from minority shareholders to subsidiaries	—	—	—	—	553,225	553,225	
(IV) Adjustment on capital reserve of business combination involving entities under common control	—	(1,765,317)	—	—	—	(1,765,317)	
(V) Acquisition/disposal of minority interests	—	72,324	—	—	(72,324)	—	
(VI) Acquisition of subsidiaries	—	—	—	—	150,765	150,765	
(VII) Profit appropriation	—	—	—	(421,103)	(114,395)	(535,498)	
(VIII) Fair value adjustment of interest free loans granted by China Huadian Corporation	—	11,555	—	—	209	11,764	
(IX) Capital contribution by the state	—	2,788	—	—	612	3,400	
IV. Closing balance of the year	6,021,084	1,503,793	1,472,609	2,020,550	4,444,857	15,462,893	

These financial statements have been approved by the Board of Directors on 26 March 2010.

**Yun Gongmin**  
Legal representative

**Chen Cunlai**  
The person in charge  
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**Wang Huiping**  
The head of the  
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The notes on pages 134 to 206 form part of these financial statements.

# Statement of changes in equity

31 December 2009

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	2009				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
I. Balance at 31 December 2008/ 1 January 2009	6,021,084	1,489,496	1,472,609	2,487,825	11,471,014
II. Changes in equity for the year					
(I) Net profit	—	—	—	134,039	134,039
(II) Other comprehensive income	—	15,255	—	—	15,255
Sub-total	—	15,255	—	134,039	149,294
(III) Contribution by shareholders	750,000	2,703,700	—	—	3,453,700
(IV) Appropriation for surplus reserve	—	—	13,404	(13,404)	—
III. Closing balance of the year	<u>6,771,084</u>	<u>4,208,451</u>	<u>1,486,013</u>	<u>2,608,460</u>	<u>15,074,008</u>

Item	2008				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
I. Balance at 31 December 2007/ 1 January 2008	6,021,084	1,948,002	1,472,609	3,393,016	12,834,711
II. Changes in equity for the year					
(I) Net loss	—	—	—	(531,884)	(531,884)
(II) Other comprehensive income	—	(14,709)	—	—	(14,709)
Sub-total	—	(14,709)	—	(531,884)	(546,593)
(III) Adjustment on capital reserve of business combination involving entities under common control	—	(454,401)	—	—	(454,401)
(IV) Profit appropriation	—	—	—	(373,307)	(373,307)
(V) Fair value adjustment of interest free loans granted by China Huadian Corporation	—	10,604	—	—	10,604
III. Closing balance of the year	<u>6,021,084</u>	<u>1,489,496</u>	<u>1,472,609</u>	<u>2,487,825</u>	<u>11,471,014</u>

These financial statements have been approved by the Board of Directors on 26 March 2010.

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# Notes to The Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)

## I. COMPANY STATUS

Huadian Power International Corporation Limited (hereinafter referred to as the “Company”) is a joint stock company limited by shares established in Jinan, Shandong Province, the People’s Republic of China (the “PRC”) on 28 June 1994 and has its head office 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 RMB 3,825,056,200, divided into 3,825,056,200 ordinary shares of RMB 1 each. At the same date, the Company’s joint promoters, namely Shandong Electric Power (Group) Corporation (“SEPCO”), Shandong International Trust Corporation (“SITC”), Shandong Luneng Development (Group) Company Limited, China Power Trust and Investment Company Limited and Zaozhuang City Infrastructure Investment Company, injected all assets (except parcels of land) and liabilities, together with certain construction in progress, of two power plants in Zouxian and Shiliquan of Shandong Province into the Company. In return, these joint promoters were being allotted the entire share capital mentioned above.

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

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

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB 1 each. As a result, the registered capital of the Company was increased to RMB 6,021,084,200. 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 shares. The totalling 3,850,356,200 original domestic shares held by the original domestic shareholders are circulated as at 6 August 2009.

In October 2009, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Xu Ke [2009] No. 1071, to issue 750,000,000 RMB ordinary shares with par value of RMB 1 each. The registered capital of the Company was increased to RMB 6,771,084,200. The Company completed the non-public issue on 1 December 2009. The 150,000,000 shares of shares issued shall not be transferred within 36 months from the date of completion of the non-public issue, and the other 600,000,000 shares shall not be transferred within 12 months from the date of completion of the non-public issue. As at 31 December 2009, the Company’s business licence for body corporate is pending for updating.

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 mainly transmitted to power grid companies of provinces in which the power plants are located.

### 1 Basis of preparation

The financial statements have been prepared on the basis of going concern.

### 2 Statement of compliance

The financial statements have been prepared in accordance with the requirements of “Accounting Standards for Business Enterprises-Basic Standard” and 38 Specific Standards issued by the Ministry of Finance (MOF) on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as “Accounting Standards for Business Enterprises” or “CAS”). These financial statements present truly and completely the consolidated financial position and financial position, the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company.

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” as revised by the China Securities Regulatory Commission (CSRC) in 2010.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

### 3 Accounting period

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

### 4 Functional currency

The Company's functional currency is renminbi. These financial statements are presented in renminbi.

### 5 Accounting treatments for a business combination involving entities under and those not under common control

#### (1) 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 carrying amounts as recorded by the enterprise being combined at the combination date. The difference between the carrying amount of the net assets obtained and the carrying amount of consideration paid for the combination (or the total face value of shares issued) is adjusted to share premium in the capital reserve. If the balance of share premium is insufficient, any excess is adjusted to retained profits. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

#### (2) Business combinations involving entities not under common control

A business combination involving entities not under common control is a business combination in which all of the combining entities 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 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 of the assets given is recognised in profit or loss. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

Any excess of the cost of a business combination over the acquirer's interest in the fair value of the acquiree's identifiable net assets is recognised as goodwill (see Note II. 17).

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.

### 6 Preparation of 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 operating 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 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, from the date that common control was established.

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

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the minority interests are adjusted and the amount of the consideration paid or received 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 profits.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 6 Preparation of consolidated financial statements (continued)

Minority interest is presented separately in the consolidated balance sheet within shareholders' 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' interest in of the equity of the subsidiary, the excess, and any further losses attributable to the minority shareholders, are allocated against the equity attributable to the Company except to the extent that the minority shareholders have a binding obligation under the articles of association or an agreement and are able to make additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the equity attributable to the Company until the minority shareholders' share of losses previously absorbed by the Company has been recovered.

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

### 7 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.

### 8 Translation of foreign currency transactions

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

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

Monetary items denominated in foreign currencies are translated to renminbi at the spot exchange rate 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 II. 15). 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.

### 9 Financial instruments

Financial instruments comprise cash at bank and on hand, investments in debt and equity securities other than long-term equity investments (see Note II. 12), receivables, payables, loans and borrowings, debentures payable and share capital, etc.

#### (1) Classification, recognition and measurement of financial assets and financial liabilities

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

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

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

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9 Financial instruments (continued)

#### (1) Classification, recognition and measurement of financial assets and financial liabilities (continued)

— Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, receivables are subsequently stated at amortised cost using the effective interest 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.

Other than 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 (see Note II. 20(4)). 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 II. 20(3)).

— Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

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 II. 19).

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

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 9 Financial instruments (continued)

#### (2) Determination of fair values

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

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

#### (3) 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.

#### (4) 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 to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. For the calculation method of impairment of receivables, refer to Note II. 10. The impairment of other financial assets is measured as follows:

- Held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis. An impairment loss in respect of a 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.

If, after an impairment loss has been recognised on 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 though 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.

#### (5) 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.



# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 10 Impairment of receivables

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 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.

If, after an impairment loss has been recognised on receivables, 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.

### 11 Inventories

#### (1) Classification

Inventories include coal, fuel oil, stalk, materials, components and spare parts.

#### (2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

#### (3) The underlying factors in the determination of net realisable value of inventories and the basis of provision for decline in value of inventories

Inventories 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.

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 net realisable value of materials held for use in the production of inventories is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales contracts is based on the contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Group, the net realisable value of the excess portion of inventories shall be based on general selling prices.

Any excess of the cost over the net realisable value of each class of inventories is recognised as a provision for diminution in the value of inventories.

#### (4) Inventory system

The Group maintains a perpetual inventory system.

#### (5) Amortisation of low-value consumables

Low-value consumables is amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12 Long-term equity investments

#### (1) Initial investment cost

##### (a) Long-term equity investments acquired through a business combination

- 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 profits.
- 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.

##### (b) Long-term equity investments acquired otherwise than through a business combination

- An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Group acquires the investment by cash, or at the fair value of the equity securities issued if an investment is acquired by issuing equity securities, or at the value stipulated in the investment contract or agreement if an investment is contributed by shareholders. 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.

#### (2) Subsequent measurement

##### (a) Investments in subsidiaries

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method. Cash dividends or profit distributions declared by subsidiaries and attributed to the Company shall be recognised as investment income, except those that have been declared but unpaid at the time of acquisition and therefore included in the price paid or consideration. The investments are stated at cost less impairment losses in the balance sheet.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note II. 6.

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

A jointly controlled entity is an enterprise which operates under joint control (see Note II. 12(3)) in accordance with a contractual agreement between the Group and other parties.

An associate is an enterprise over which the Group has significant influence (see Note II. 12(3)).

An investment in a jointly controlled entity or an associate is accounted for using the equity method.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12 Long-term equity investments (continued)

#### (2) Subsequent measurement (continued)

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

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

— Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

— After the acquisition of the investment, the Group recognises its share of the investee's net profits or losses after deducting the amortisation of the debit balance of equity investment difference, which was recognised by the Group before the first-time adoption of CAS, as investment income or losses, and adjusts the carrying amount of the investment accordingly. The debit balance of the equity investment difference is amortised using the straight-line method over the period which is determined in accordance with previous accounting standards. 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 associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

— The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate or the jointly controlled entities is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled entities, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

##### (c) Other long-term equity investments

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

Other long-term equity investments are accounted for using the cost method. Cash dividends or profit distributions declared by subsidiaries and attributed to the Company shall be recognised as investment income, except those that have been declared but unpaid at the time of acquisition and therefore included in the price paid or consideration.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 12 Long-term equity investments (continued)

#### (3) Basis for determining the existence of joint control or significant influence over an investee

Joint control is the contractual agreed sharing of control over an investee's 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. The following evidences shall be considered when determining whether the Group can exercise joint control over an investee:

- no single venturer is in a position to control the operating activities unilaterally;
- operating decisions relating to the investee's economic activity require the unanimous consent of the parties sharing the control;
- if the parties sharing the control appoint one venturer as the operator or manager of the joint venture through the contractual arrangement, the operator must act within the financial and operating policies that have been agreed by the venturers in accordance with the contractual arrangement.

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. The following one or more evidences shall be considered when determining whether the Group can exercise significant influence over an investee:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the investor and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

#### (4) Method of impairment testing and measuring

For the method of impairment testing and measuring for subsidiaries, jointly controlled entities and associates, refer to Note II. 18.

For other long-term equity investments, the carrying amount is required to be tested for impairment at the balance sheet date. If there is objective evidence that the investments may be impaired, the impairment shall be assessed on an individual basis. The impairment loss is measured as the amount by which the carrying amount of the investment exceeds 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. The other long-term equity investments are stated at cost less impairment losses in the balance sheet.

### 13 Fixed assets

#### (1) Recognition

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

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 is measured in accordance with the policy set out in Note II. 14. Cost of environmental protection and ecological restoration arising from obligations incurred in compliance with relevant regulations when fixed assets are disposed of is included in the initial cost of fixed assets.

Where 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, each part is 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.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 13 Fixed assets (continued)

#### (2) Depreciation

Other than mining structures which are depreciated on a units-of-production method, fixed assets are depreciated using the straight-line method over their estimated useful lives. The depreciation period and estimated residual value of each class of fixed assets are as follows:

Classes	Depreciation period (years)	Residual value rate (%)	Depreciation rate (%)
Plants and buildings	20 - 45	3 - 5	2.1 - 4.9
Generators	5 - 20	3 - 5	4.8 - 19.4
Others	5 - 10	3 - 5	9.5 - 19.4

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

#### (3) For the method of impairment testing and measuring, refer to Note II. 18.

#### (4) Disposal

The carrying amount of a fixed asset shall be derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

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.

### 14 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note II. 15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less impairment losses (see Note II. 18).

Construction in progress mainly includes construction of generators, plants and buildings, environmental and technical improvement projects.

### 15 Borrowing costs

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

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

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

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 15 Borrowing costs (continued)

- Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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, construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally and the interruption lasts over three months.

### 16 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II. 18). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on the straight-line method or units-of-production method over its estimated useful life. Land use rights are amortised using the straight-line method over 10 to 70 years. Software is amortised using the straight-line method over 5 to 10 years. Mining rights are amortised using units-of-production method according to the proved coal reserves.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group will reassess the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group will estimate its useful life and account for it in accordance with the same policy as intangible assets with finite useful lives described above.

The Group's expenditures on the internal research are recognised in profit or loss when incurred.

### 17 Goodwill

Goodwill represents the excess of cost of acquisition over the acquirer'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 and is stated at cost less accumulated impairment losses (see Note II. 18). 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.

### 18 Impairment of assets other than inventories, financial assets and other long-term investments

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
- construction and construction material prepayments
- intangible assets

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 18 Impairment of assets other than inventories, financial assets and other long-term investments (continued)

- long-term equity investments in subsidiaries, associates and jointly controlled entities
- goodwill
- other non-current assets (including prepayments for investment)

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 allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

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 group is the 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.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the result of the recoverable amount calculating indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

### 19 Provisions

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.

### 20 Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. 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:

#### (1) Sale of electricity

Revenue from sale of electricity is recognised when electricity is supplied to the respective grid companies where the power plants are located.

#### (2) Sale of heat

Revenue from sale of heat is recognised when heat is supplied to customers.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 20 Revenue recognition (continued)

#### (3) Interest income

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

#### (4) Dividend income

Dividend income from unlisted investments, which are accounted for using the cost method, is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments (not including investments in jointly controlled entities and associates) is recognised when the share price of the investment goes ex-dividend.

### 21 Employee benefits

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

#### (1) Pension benefits

Pursuant to the relevant laws and regulations of the PRC, the Group has joined a basic pension insurance for the employees arranged by local Labour and Social Security Bureaus. The Group makes contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. In addition, the Group has joined a supplementary pension insurance managed by China Huadian. The contributions are capitalised as part of the cost of assets or charged to profit or loss on an accrual basis. When employees retire, the local Labour and Social Security Bureaus and China Huadian are responsible for the payment of the basic and supplementary pension benefits to the retired employees. The Group does not have any other obligations in this respect.

#### (2) Housing fund and other social insurances

Besides the pension benefits, pursuant to the relevant laws and regulations of the PRC, the Group has joined defined social security contributions for employees, such as a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the employees' salaries. The contributions are recognised as cost of assets or charged to profit or loss on an accrual basis.

#### (3) 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.

### 22 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 an investor in 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.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

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 to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 23 Deferred tax assets and liabilities

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 recovery 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 recovered or the liability is settled in accordance with tax laws.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

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.

### 24 Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term.

### 25 Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan 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.

### 26 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. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

- (a) the Company's parent
- (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

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 26 Related parties (continued)

- (h) principal individual investors and close family members of such individuals
- (i) key management personnel of the Group and close family members of such individuals
- (j) key management personnel of the Company's parent
- (k) close family members of key management personnel of the Company's parent
- (l) other enterprises that are jointly controlled or significantly influenced by principal individual 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, 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 Disclosures 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, supervisors for listed companies and their close family members;
- (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) and (p), or in which such an individual assumes the position of a director or senior executive.

### 27 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- it may earn revenues and incur expense from business activities
- its operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance
- its financial information regarding financial position, results of operations and cash flows is available

Two or more operating segments may be aggregated into a single operating segment if 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 for the products and services
- the methods used to distribute the products or provide the services
- the nature of the regulatory environment

### 28 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 to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 28 Significant accounting estimates and judgments (continued)

Note X. 2 contain information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

#### (1) Impairment of receivables

As described in Note II. 10, receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

#### (2) Impairment of other assets excluding inventories, financial assets and other long-term equity investments

As described in Note II. 18, other assets excluding inventories, financial assets and other long-term equity investments 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 (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 (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

#### (3) Depreciation and amortisation

As described in Note II. 13 and 16, 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.

#### (4) Deferred tax assets

As described in Note II. 23, 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 volume of electricity and heat generated, 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.

#### (5) Intangible assets with indefinite useful lives

As described in Note II. 16, 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.

#### (6) 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 estimates of costs and carrying value of coal, which coal supply contracts have not been concluded, on comparable reference prices.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 29 Changes in significant accounting policies

In accordance with CAS Bulletin No.3 and the Notice on preparing 2009 annual reports of listed and unlisted companies adopting China Accounting Standards (Caikuai [2009] No.16), which were newly issued by the Ministry of Finance in 2009, the Group changed the following significant accounting policies:

Description of and reasons for changes in accounting policies	Note	Approval procedure	Affected items in the financial statements	Amounts of adjustments
For long-term equity investment accounted for using the cost method, the change of accounting treatment by the investor when cash dividends or profit distribution are declared by the investee	(1)	As to the changes based on the regulations newly issued by the Ministry of Finance, no internal approval	Long-term equity investment and investment income	The effect of this change in accounting policy does not have any material impact on the Group's financial statements for the year ended 31 December 2009.
Change in presentation of the income statement and statement of changes in shareholders' equity	(2)	As to the changes based on the regulations newly issued by the Ministry of Finance, no internal approval	Other comprehensive income for the year and comprehensive income	Not applicable
Change in disclosure of segment reporting	(3)	As to the changes based on the regulations newly issued by the Ministry of Finance, no internal approval	Not applicable	Not applicable

Notes:

- (1) For long-term equity investment accounted for using the cost method, the change of accounting treatment made by the investor when the cash dividends or profit distribution are declared by the investee

Previously, for cash dividends or profit distribution declared from a long-term equity investment that is accounted for using the cost method, only the post-acquisition portion of the cash dividends or profit distribution was recognised as investment income. Starting from 1 January 2009, except for declared but undistributed cash dividends or profits distribution that have been included in the price or consideration paid in obtaining the investments, the Group recognises its share of the cash dividends or profit distribution declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. After investment income is recognised according to the above policy, the carrying amount of the investment is reviewed by the Group to identify whether it exceeds the Group's interest in the carrying amount of the investee's net assets (including associated goodwill). If such surplus exists, an impairment test for the long-term equity investment is performed in accordance with the accounting policy described in Note II. 18. If the recoverable amount of the long-term equity investment is less than its carrying amount, an impairment loss is recognised.

In accordance with CAS Bulletin No. 3, no retrospective adjustment is made by the Group for the above change of accounting policy.

- (2) Change in presentation of the income statement and statement of changes in shareholders' equity

"Other comprehensive income for the year" and "Total comprehensive income for the year" are added under the line item of "Earnings per share" in the income statement. "Other comprehensive income for the year" comprises items of gains or losses net of related tax effects that are not recognised in profit or loss under CAS. "Total comprehensive income for the year" represents the total amount of net profit and other comprehensive income. The consolidated income statement is adjusted accordingly, and the total comprehensive income for the year attributable to shareholders of the Company and minority shareholders are presented separately below the total comprehensive income for the year.

In the statement of changes in shareholders' equity, the line item "Gains and losses recognised directly in equity" together with its breakdown were replaced by the line item "Other comprehensive income".

The relevant comparative items have been adjusted accordingly for the above change in the presentation of income statement and statement of changes in shareholders' equity, and see related items in the income statement and statement of changes shareholders' equity.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

### 29 Changes in significant accounting policies (continued)

Notes: (continued)

(3) Change in disclosure of segment reporting

Before 1 January 2009, in accordance with CAS No. 35-Segment, no analysis of the Group's turnover and contribution to profit from operations by geographical segment or business segment has been presented as all the Group's operating activities are carried out in the PRC and less than 10 percent of the turnover and contribution to profit from operations were derived from activities outside the Group's generation and sale of electricity activities. From 1 January 2009, reportable segments are identified and disclosed based on operating segments, which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system in accordance with CAS Bulletin No.3. No retrospective adjustment is made by the Group for the above change of accounting policy.

## III. TAXATION

### 1 Main types of taxes and corresponding rates

Tax Name	Tax basis	Tax rate
VAT (Note (1))	Output VAT is calculated on product sales, based on tax laws. The remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	17%
— Sales of electricity		13%
— Sales of heat		
City maintenance and construction tax	Based on VAT payable	1-7%
Education surcharge	Based on VAT payable	3-5%
Enterprise income tax ("EIT") (Note (2))	Based on taxable profits	0-25%

Notes:

- (1) The Tentative Regulations on Value-added tax of the PRC (hereinafter referred to as the "regulation") was revised and passed on the 34th General Meeting of the State Council of the PRC 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 of fixed assets on or after 1 January 2009 can be used to set off based on the bills of document verified by tax authorities.
- (2) The income tax rate applicable to the Company and each of its subsidiaries for the year is 25% (2008: 25%), except for Sichuan Guang'an Power Generation Company Limited ("Guang'an Company"), Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company"), Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Power Company"), Sichuan Zagunao Hydroelectric Development Company Limited ("Zagunao Hydroelectric Company") and Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company"), for which preferential tax rates apply.

### 2 Tax preferential and approval notice

The subsidiaries of the Group that are entitled to preferential tax treatments are as follows:

Company name	Preferential tax rate	Reasons for preferential tax treatments
Guang'an Company	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Zagunao Hydroelectric Company	15%	Enterprise income tax preferential policies on the development of the Western Region (Note (1))
Lingwu Company	—	Attracting investment policies of Ningxia Hui Nationality Autonomous Region (Note (2))
Ningdong Wind Power Company	—	Major public infrastructure project supported by the State (Note (3))
Laizhou Wind Power Company	—	Major public infrastructure project supported by the State (Note (3))

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## III. TAXATION (CONTINUED)

### 2 Tax preferential and approval notice (Continued)

Notes:

- (1) 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 EIT rate of 15%. In accordance with the approval document issued by the State Administration of Taxation of Sichuan Province, Guang'an Company's and Zagunao Hydroelectric Company's EIT rate for the years ended 31 December 2008 and 2009 had been reduced to 15%.
- (2) Pursuant to the Notice issued by the People's Government of the Autonomous Region on Certain Policies on Attracting Investments to the Ningxia Hui Nationality Autonomous Region (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 Nationality Autonomous Region, 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 Nationality Autonomous Region, 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.
- (3) Pursuant to the EIT Law of the PRC and the Regulation on the Implementation of the EIT Law of the PRC, 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 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 rate for the fourth to the sixth years. In accordance with the notice issued by Lingwu State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region and Laizhou State Administration of Taxation of Shandong Province, Ningdong Wind 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.

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Background of major subsidiaries

#### (1) Subsidiaries acquired through establishment or investment

Name	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in minority shareholders' share in opening minority interests used to offset the profit(loss) attributable to minority shareholders	The excess of losses attributable to minority shareholders for the year over
													Amount in minority shareholders' share in opening minority interests used to offset the profit(loss) attributable to minority shareholders in percent
						RMB'000	RMB'000	(%)	(%)	(Y/N)	RMB'000	RMB'000	RMB'000
Lingwu Company	Limited company	Lingwu, the PRC	Bai Hua	77492869-7	Generation and sale of electricity	1,000,000	1,262,496	65	65	Y	355,180	—	—
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	Limited company	Ganzu Tibetan Autonomous Region, the PRC	Zhong Tonglin	78911707-X	Generation and sale of electricity (under construction)	1,266,090	1,266,090	100	100	Y	—	—	—
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	Limited company	Suzhou, the PRC	Xu Xu	66293432-0	Generation and sale of electricity	52,480	43,680	78	78	Y	3,626	3,284	—
Huadian International Shandong Materials Company Limited ("Materials Company")	Limited company	Jinan, the PRC	Wang Wenqi	75919378-9	Procurement of materials	50,000	38,648	100	100	Y	—	—	—
Huadian Qingdao Heat Company Limited	Limited company	Qingdao, the PRC	Wang Wenqi	77029337-7	Sale of heat	30,000	16,500	55	55	Y	10,148	3,602	—

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Background of major subsidiaries (continued)

#### (1) Subsidiaries acquired through establishment or investment (continued)

Name	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	The excess of losses attributable to minority shareholders for the year over		
											Closing amount of minority interests	Amount in minority shareholders' share in opening minority interests used to offset the profit/(loss) attributable to minority shareholders	minority shareholders' share in opening equity, to be written off in parent company equity
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000	RMB'000
Huadian International Shandong Project Company Limited	Limited company	Jinan, the PRC	Bai Hua	76000563-X	Management of construction project	3,000	3,334	100	100	Y	—	—	—
Huadian International Shandong Information Company Limited	Limited company	Jinan, the PRC	Zhong Tongjin	78849619-4	Development and maintenance of information system for the Group	3,000	3,000	100	100	Y	—	—	—
Ningdong Wind Power Company	Limited company	Lingwu, the PRC	Ji Jun	79990031-6	Generation and sale of electricity	90,000	90,000	100	100	Y	—	—	—
Huadian Zoujian Power Generation Company Limited ("Zoujian Company")	Limited company	Zoucheng, the PRC	Zhong Tongjin	66930776-8	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y	971,315	—	—
Laozhou Wind Power Company	Limited company	Laozhou, the PRC	Peng Guoquan	67452399-1	Generation and sale of electricity	146,060	80,333	55	55	Y	72,855	—	—
Huadian Inner Mongolia Kalu Wind Power Company Limited ("Kalu Wind Power Company")	Limited company	Tongliao, the PRC	Peng Guoquan	67438152-4	Generation and sale of electricity (under construction)	797,128	797,128	100	100	Y	—	—	—
Huadian Luohe Power Generation Company Limited ("Luohe Company")	Limited company	Luohe, the PRC	Bai Hua	68076402-X	Generation and sale of electricity	633,733	475,300	75	75	Y	23,116	1,984	—
Tengzhou Xinyuan Heat Company Limited ("Tengzhou Heat Company") (Note 1)	Limited company	Tengzhou, the PRC	Wang Tao	68170352-8	Sale of heat	30,000	—	65.28	70	Y	7,980	1,020	—
Shanxi Maohua Energy Investment Company Limited ("Maohua Company")	Limited company	Taiyuan, the PRC	Peng Guoquan	68800562-9	Investment and management in coal, electricity and heat industry	1,547,000	1,547,000	100	100	Y	—	—	—
Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company")	Limited company	Zhangjiakou, the PRC	Peng Guoquan	67418073-0	Generation and sale of electricity (under construction)	300,000	336,100	100	100	Y	—	—	—
Huadian Kezuzhongqi Wind Power Company Limited ("Kezuzhongqi Wind Power Company")	Limited company	Inner Mongolia Autonomous Region, the PRC	Xing Shibang	69590532-X	Generation and sale of electricity (under construction)	20,000	20,000	100	100	Y	—	—	—
Huadian Qudong Power Generation Company Limited ("Qudong Company")	Limited company	Xinxiang, the PRC	Xing Shibang	69599741-6	Generation and sale of electricity (under construction)	562,000	151,740	90	90	Y	16,759	101	—
Huadian Ningxia Ningdong Shangde Solar Energy Company Limited ("Shangde Solar Energy Company")	Limited company	Lingwu, the PRC	Ji Jun	69432340-1	Generation and sale of electricity (under construction)	38,000	4,560	60	60	Y	3,040	—	—

Note 1: Tengzhou Heat Company is the subsidiary of Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Thermal Power Company"), a subsidiary of the Company. The closing amount of investment is RMB 21,000,000.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Background of major subsidiaries (continued)

#### (2) Subsidiaries acquired through business combinations under common control

Name	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital		Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests		The excess of losses attributable to minority shareholders for the year over minority shareholders' share in opening shareholders' equity, to be written off in parent company equity
						RMB'000	RMB'000				RMB'000	RMB'000	
Guang'an Company	Limited company	Guang'an, the PRC	Zhong Tonglin	2895243-3	Generation and sale of electricity	1,785,860	1,267,577	80	80	Y	397,270	—	—
Huadian Xinmiang Power Generation Company Limited ("Xinmiang Company")	Limited company	Xinmiang, the PRC	Bai Hua	7538082-3	Generation and sale of electricity	69,000	372,100	90	90	Y	—	—	13,151
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Limited company	Suzhou, the PRC	Bai Hua	7529972-0	Generation and sale of electricity	327,652	818,017	97	97	Y	10,075	—	—
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	Limited company	Wuhu, the PRC	Bai Hua	76277372-0	Generation and sale of electricity	544,632	348,046	65	65	Y	151,837	20,609	—
Hangzhou Huadian Banshan Power Generation Company Limited ("Banshan Company")	Limited company	Hangzhou, the PRC	Wang Wenqi	14304951-4	Generation and sale of electricity and heat	480,762	386,724	64	64	Y	236,635	—	—
Hebei Huadian Complex Pumping-storage Power Company Limited	Limited company	Luqian, the PRC	Kang Jinzhu	7770333-8	Generation and sale of electricity	10,000	15,682	100	100	Y	—	—	—
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	Limited company	Shijiazhuang, the PRC	Sun Zhaojie	71310764-5	Generation and sale of electricity and heat	789,740	908,511	82	82	Y	147,515	—	—
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Thermal Power Company") (Note 2)	Limited company	Shijiazhuang, the PRC	Sun Zhaojie	79138065-1	Generation and sale of electricity and heat	500,000	—	87.87	100	Y	55,242	—	—
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Thermal Power Company") (Note 3)	Limited company	Shijiazhuang, the PRC	Sun Zhaojie	67468690-X	Generation and sale of electricity and heat (under construction)	75,000	—	81	90	Y	2,642	358	—

**Note 2:** Yuhua Thermal Power Company is the subsidiary of Shijiazhuang Thermal Power Company, a subsidiary of the Company. Shijiazhuang Thermal Power Company holds 60% equity interest in Yuhua Thermal Power Company. Yuhua Thermal Power Company also is the associate of Hebei Huafeng Investment Company Limited ("Huafeng Investment Company"). Huafeng Investment Company holds 40% equity interest in Yuhua Thermal Power Company. The closing amounts of investments of Shijiazhuang Thermal Power Company and Huafeng Investment Company are RMB 300,000,000 and RMB 200,000,000 respectively.

**Note 3:** Luhua Thermal Power Company is the subsidiary of Shijiazhuang Thermal Power Company, a subsidiary of the Company. Shijiazhuang Thermal Power Company holds 50% equity interest in Luhua Thermal Power Company. Luhua Thermal Power Company also is the associate of Hebei Huarui Energy Group Corporation Limited ("Huarui Group Company"). Huarui Group Company holds 40% equity interest in Luhua Thermal Power Company. The closing amounts of investments of Shijiazhuang Thermal Power Company and Huarui Group Company are RMB 60,000,000 and RMB 12,000,000 respectively.



# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Background of major subsidiaries (continued)

#### (3) Subsidiaries acquired through business combinations under non-common control

Name	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	The excess of losses attributable to minority shareholders for the year over minority shareholders' share in opening shareholders' equity, to be written off in parent company equity		
											Closing amount of minority interests	Amount in current year's minority interests used to offset the profit/ (loss) attributable to minority shareholders	Amount in current year's minority share in opening shareholders' equity, to be written off in parent company equity
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000	RMB'000
Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	Limited company	Qingdao, the PRC	Zhong Tongjin	16338000-3	Generation and sale of electricity and heat	700,000	345,668	55	55	Y	747,274	—	—
Huadian Weifang Power Generation Company Limited ("Weifang Company") (Note 5)	Limited company	Weifang, the PRC	Zhong Tongjin	16542339-4	Generation and sale of electricity	1,250,000	823,483	45	45	Y	1,225,798	—	—
Huadian Zibo Thermal Power Company Limited ("Zibo Thermal Power Company")	Limited company	Zibo, the PRC	Wang Wenqi	73470473-6	Generation and sale of electricity and heat	374,800	374,800	100	100	Y	—	—	—
Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	Limited company	Zhangqiu, the PRC	Wang Wenqi	70522974-1	Generation and sale of electricity and heat	750,000	617,077	87.5	87.5	Y	59,048	8	—
Tengzhou Thermal Power Company (Note 4)	Limited company	Tengzhou, the PRC	Peng Guocun	16991985-6	Generation and sale of electricity and heat	474,172	424,400	93.26	93.26	Y	20,625	—	—
Zagunao Hydroelectric Company (Note 5)	Limited company	Lüwan, the PRC	Wang Ning	75472823-3	Generation and sale of electricity	200,000	449,529	49	49	Y	215,265	—	—
Huarui Group Company	Limited company	Shijiazhuang, the PRC	Zhong Tongjin	75242920-0	Generation and sale of electricity and heat	538,000	966,895	100	100	Y	—	—	—
Hueifeng Investment Company (Note 6)	Limited company	Shijiazhuang, the PRC	He Zengyun	75026749-2	Energy projects investment	977,300	—	96.68	96.68	Y	35,754	—	—
Hebei Fengquan Industrial Company Limited ("Fengquan Company") (Note 6)	Limited company	Shijiazhuang, the PRC	He Zengyun	73024734-7	Sale of coal and chemical products	102,000	—	100	100	Y	—	—	—
Jingqing Huarui Power Generation Company Limited ("Jingqing Company") (Note 6)	Limited company	Jingqing, the PRC	Zhao Wei	10462179-2	Generation and sale of electricity	6,000	—	55	55	Y	4,954	—	—
Hebei Huarui Matou Thermal Power Company Limited ("Matou Thermal Power Company") (Note 6)	Limited company	Handan, the PRC	He Zengyun	75241840-X	Generation and sale of electricity and heat	10,080	—	51	51	Y	1,641	—	—

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 1 Background of major subsidiaries (continued)

#### (3) Subsidiaries acquired through business combinations under non-common control (continued)

Name	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in current year's minority interests used to offset the profit/(loss) attributable to minority shareholders	The excess of losses attributable to minority shareholders for the year over minority shareholders' share in opening equity, to be written off in parent company equity
						RMB'000	RMB'000	(%)	(%)		RMB'000	RMB'000	RMB'000
Shijiazhuang Guanghua Thermal Power Company Limited ("Guanghua Thermal Power Company") (Note 6)	Limited company	Shijiazhuang, the PRC	He Zengyun	10493267-0	Generation and sale of electricity and heat	100,000	—	50.3	50.3	Y	58,577	—	—
Handan Wanxing Power Thermal Company Limited ("Wanxing Thermal Power Company") (Note 6)	Limited company	Handan, the PRC	Hu Yusheng	10552229-4	Generation and sale of electricity and heat	10,000	—	57.34	57.34	Y	—	—	3,755
Shanxi Dongji Zhonghou Coal Company Limited ("Dongji Coal Company") (Note 7)	Limited company	Shuozhou, the PRC	Diao Youfeng	X0249304-7	Resources consolidation, improvement and expansion services	12,180	—	70	70	Y	155,584	—	—
Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited ("Erpu Coal Company") (Note 7)	Limited company	Shuozhou, the PRC	Diao Youfeng	11147348-4	Resources consolidation, improvement and expansion services	10,000	—	70	70	Y	170,585	—	—

**Note 4:** The Company updated equity interest agreement with other shareholders of Tengzhou Thermal Power Company on 1 January 2009. The percentage of equity interest of the Company in Tengzhou Thermal Power Company increased from 89.3% to 93.26%.

**Note 5:** Although the Company's direct and indirect equity interest percentage and voting rights in Weifang Company and Zagunao Hydroelectric 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 can participate in 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 Zagunao Hydroelectric Company and included them into the consolidated financial statements of the Company.

**Note 6:** The six above mentioned companies are the subsidiaries of Huarui Group Company, a subsidiary of the Company. The closing amounts of investments to Huafeng Investment Company, Fengyuan Company, Jingxing Company, Matou Thermal Power Company, Guanghua Thermal Power Company and Wanxing Thermal Power Company are RMB 880,362,312, RMB 168,096,000, RMB 3,300,000, RMB 5,140,800, RMB 50,300,000 and RMB 5,734,000 respectively.

**Note 7:** Dongji Coal Company and Erpu Coal Company are the subsidiaries of Maohua Company, a subsidiary of the Company. The closing amounts of investments are RMB 397,600,000 and RMB 362,600,000 respectively.

**2 The Company has no entities with special purpose or operating entities controlled through entrusted operating and leases during the year.**

**3 Changes of the consolidation scope of the Company during the year are referred to Note IV. 4.**

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Subsidiaries that newly consolidated and those that ceased to be consolidated during the year

#### (1) Subsidiaries that are newly consolidated during the year

Name	Note	31 December 2009	2009
		Net assets	Net profit/(loss)
		RMB'000	RMB'000
Huarui Group Company and its subsidiaries	Note 1	1,169,108	224,956
Maohua Company and its subsidiaries	Note 2	1,544,037	(2,963)
Guyuan Wind Power Company	Note 2	335,574	(526)
Kezuozhongqi Wind Power Company	Note 2	20,000	—
Qudong Company	Note 2	167,586	(1,014)
Shangde Solar Energy Company	Note 2	7,600	—

Note 1: Subsidiaries of Huarui Group Company include Huafeng Investment Company, Fengyuan Company, Jingxing Company, Matou Thermal Power Company, Wanxing Thermal Power Company and Guanghua Thermal Power Company. Details are referred to Note IV. 1(3).

Note 2: The five above mentioned companies are the subsidiaries newly established by the Company during the year. The subsidiaries of Maohua Company include Dongyi Coal Company and Erpu Coal Company. Details are referred to Note IV. 1(3) and IV. 6(2).

#### (2) The Company has no entity that is ceased to be consolidated during the year.

### 5 The Company has no business combinations involving entities under common control during the year.

### 6 Business combinations involving entities not under common control during the year

#### (1) Acquisition of Huarui Group Company

At the acquisition date of 1 January 2009, the Company acquired a 100% interest in Huarui Group Company, and obtained control on the subsidiaries of Huarui Group Company, by paying RMB 767 million in cash as combination cost.

Huarui Group Company is a limited company registered in Shijiazhuang, Hebei Province on 18 September 2002, and is principally engaged in the production and sale of electricity and heat, maintenance and test-running of electric equipments etc. Before the acquisition, all the shares of Huarui Group Company were held by 12 individuals.

Huarui Group Company and its subsidiaries' consolidated financial information are as follows:

Acquiree	Operating income from acquisition date to 31 December 2009	Net profit from Acquisition date to 31 December 2009	Net cash inflow from operating activities from acquisition date to 31 December 2009
		RMB'000	RMB'000
Huarui Group Company and its subsidiaries	1,141,653	224,956	239,817

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Business combinations involving entities not under common control during the year (continued)

#### (1) Acquisition of Huarui Group Company (continued)

The identifiable assets and liabilities of the acquiree:

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

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 by the professional valuer to determine the fair value of identifiable assets based on the valuation report.

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

#### (2) Acquisition of 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 RMB 363 million and RMB 398 million in cash respectively.

Dongyi Coal Company is a limited company registered in Shuozhou, Shanxi Province on 17 June 1998, and is principally engaged in the construction of coal mines, coal production and related business. Before the acquisition, Dongyi Coal Company's parent company was Shuozhou City Dongyi Hotel Company Limited. Erpu Coal Company is a limited company registered in Shuozhou, Shanxi Province on 22 March 1986, and is principally engaged in the construction of coal mines, coal production and related business. Before the acquisition, Erpu Coal Company's parent company was Shuozhou City Wantongyuan Energy Investment Group Company Limited.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6 Business combinations involving entities not under common control during the year (continued)

#### (2) Acquisition of coal mines (continued)

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

Acquiree	31 December 2009	31 December 2009
	Total assets	Net assets
	RMB'000	RMB'000
Dongyi Coal Company	909,745	518,611
Erpu Coal Company	1,035,026	568,616

The identifiable assets and liabilities of the acquirees:

Item	Acquisition date (31 May 2009)		31 December 2008
	Carrying amount	Fair value	Carrying amount
	RMB'000	RMB'000	RMB'000
Other receivables	1,155	1,155	1,155
Inventories	3,932	3,932	3,380
Fixed assets, construction in progress and construction materials	124,129	159,187	97,142
Construction and construction material prepayments	23,109	23,109	—
Intangible assets (Mining rights)	471,595	1,692,340	471,595
Trade payables and other payables	(478,545)	(478,545)	(427,897)
Deferred tax liabilities	—	(313,951)	—
Total identifiable net assets	145,375	1,087,227	145,375
Less: Minority interests		(326,169)	
Consideration		761,058	

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 by the professional valuer to determine the fair value of identifiable assets based on the valuation report.

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

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Cash at bank and on hand

Item	2009			2008		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
	'000		'000	'000		'000
Cash on hand:						
RMB			1,862			1,536
Cash at bank:						
RMB			1,238,182			1,864,847
US dollar	7	6.8282	48	7	6.8346	48
HK dollar	5	0.8805	4	5	0.8819	5
Other monetary fund:						
RMB			1,804			2,869
Guarantee deposits for bank acceptance bills payable:						
RMB			1,906			4,791
Total			<u>1,243,806</u>			<u>1,874,096</u>

### 2 Bills receivable

#### (1) Classification of bills receivable

Category	2009	2008
	RMB'000	RMB'000
Bank acceptance bills	44,616	19,106
Commercial acceptance bills	280,000	—
Total	<u>324,616</u>	<u>19,106</u>

All of the above bills are due within one year.

No amount due from shareholders who holds 5% or more of the voting rights of the Group is included in the closing balance of bills receivable.

#### (2) As at 31 December 2009, all commercial acceptance bills have been discounted by the Group (2008: Nil). The details are as follows:

Issuer	Issuing date	Due date	Amount
			RMB'000
1. Hebei Electric Power Company	21 September 2009	5 March 2010	140,000
2. Hebei Electric Power Company	18 August 2009	10 February 2010	80,000
3. Hebei Electric Power Company	11 December 2009	11 June 2010	60,000
Total			<u>280,000</u>

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2 Bills receivable (continued)

- (3) At the end of year, there are no acceptance bills transferred to accounts receivable due to non-performance of the issuers.

As at 31 December 2009, the top five outstanding endorsed bills that have not matured are as follows:

Issuer	Issuing date	Due date	Amount
			RMB'000
1. Agricultural Bank of China Co., Ltd. Haishu Subbranch	9 October 2009	9 April 2010	9,300,000
2. Bank of China Co., Ltd. Wuhou Subbranch	22 October 2009	22 April 2010	5,000,000
3. Bank of Communications Co., Ltd. Jiangxi Branch	11 December 2009	11 June 2010	5,000,000
4. Agricultural Bank of China Co., Ltd. Hexipu Subbranch	28 October 2009	28 April 2010	4,000,000
5. China Minsheng Banking Corp., Ltd., Banking Department of Head Office	6 November 2009	6 May 2010	4,000,000
6. China Construction Bank Co., Ltd. Sanming Subbranch	23 November 2009	23 May 2010	4,000,000
7. Industrial and Commercial Bank of China Jianxi Subbranch	24 November 2009	23 May 2010	4,000,000
Total			35,300,000

### 3 Trade receivables

#### (1) Trade receivables by category

Category	Note	2009				2008			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(3)	3,170,692	96.34	32,633	1.03	1,921,280	96.90	32,633	1.70
Other insignificant trade receivables		120,551	3.66	—	—	61,545	3.10	—	—
Total		3,291,243	100.00	32,633	0.99	1,982,825	100.00	32,633	1.65

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Trade receivables (Continued)

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

Ageing	2009	2008
	RMB'000	RMB'000
Within one year (including one year)	3,254,037	1,941,676
Between one and two years (including two years)	—	383
Over three years	37,206	40,766
Sub-total	3,291,243	1,982,825
Less: Provision for bad and doubtful debts	(32,633)	(32,633)
Total	3,258,610	1,950,192

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

#### (3) Provision for bad and doubtful debts for individually significant trade receivables at the end of the year

Content of trade receivables	Gross carrying amount	Provision for bad and doubtful debts	Percentage	Reason
	RMB'000	RMB'000	(%)	
Sale of electricity	25,445	25,445	100.00	Long ageing
Sale of Heat	11,761	7,188	61.12	Long ageing
Total	37,206	32,633	87.71	

#### (4) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant trade receivables in previous years.

#### (5) The Group does not actually write-off any trade receivables during the year.

#### (6) As at 31 December 2009, trade receivables due from the five biggest debtors of the Group

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total trade receivables
		RMB'000		(%)
1. SEPCO	Third party	1,397,081	Within one year	42.45
2. Sichuan Electric Power Corporation	Third party	657,225	Within one year (Note)	19.97
3. Henan Electric Power Company	Third party	324,353	Within one year	9.85
4. Anhui Electric Power Company	Third party	237,266	Within one year	7.21
5. East China Grid Company Limited	Third party	191,786	Within one year	5.83
Total		2,807,711		85.31

Note: The ageing of the trade receivables amounted to RMB 25,444,703, which is part of the receivables due from Sichuan Electric Power Corporation, is over five years. The Group fully recognised the amount as provision for bad and doubtful debts.



# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Trade receivables (continued)

- (7) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of trade receivables.
- (8) As at 31 December 2009, derecognition of accounts receivable due to transfer of financial assets

Item	Amount derecognised	Losses related to derecognition
	RMB'000	RMB'000
Trade receivable factoring without recourse	748,173	1,550

### 4 Other receivables

#### (1) Other receivables by category

Category	Note	2009				2008			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(3)	203,403	82.52	4,227	2.08	179,079	83.99	2,266	1.27
Other insignificant other receivables	(3)	43,079	17.48	264	0.61	34,126	16.01	1,019	2.99
Total		<u>246,482</u>	<u>100.00</u>	<u>4,491</u>	<u>1.82</u>	<u>213,205</u>	<u>100.00</u>	<u>3,285</u>	<u>1.54</u>

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

Ageing	2009	2008
	RMB'000	RMB'000
Within one year (including one year)	86,028	205,965
Between one and two years (including two years)	155,968	1,554
Between two and three years (including three years)	490	1,876
Over three years	3,996	3,810
Sub-total	<u>246,482</u>	<u>213,205</u>
Less: Provision for bad and doubtful debts	<u>(4,491)</u>	<u>(3,285)</u>
Total	<u>241,991</u>	<u>209,920</u>

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

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Other receivables (continued)

#### (3) Provision for bad and doubtful debts for other receivables at the end of the year

Other receivables	Gross carrying amount	Provision for bad and doubtful debts	Rate of provision	Reason
	RMB'000	RMB'000	(%)	
Disposal of assets	19,610	1,961	10.00	Long ageing
Others	2,530	2,530	100.00	Long ageing
Total	<u>22,140</u>	<u>4,491</u>	20.28	

(4) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant other receivables in previous years.

(5) The Group does not actually write-off any other receivables during the year.

(6) As at 31 December 2009, other receivables due from the five biggest debtors

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		(%)
1. China Ping An Property Insurance Co., Ltd. Sichuan Branch	Third party	64,350	Between one and two years	26.11
2. China Pacific Property Insurance Co., Ltd. Sichuan Branch	Third party	51,480	Between one and two years	20.88
3. Shandong Jinbai Biotechnology Co., Ltd.	Third party	19,610	Between one and two years	7.96
4. Taiping Insurance Co., Ltd. Sichuan Branch	Third party	12,870	Between one and two years	5.22
5. Carbon Asset Management Sweden AB	Third party	11,679	Between one month and two years	4.74
Total		<u>159,989</u>		<u>64.91</u>

(7) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of other receivables.

(8) The Group does not have derecognition of others receivable due to transfer of financial assets during the year.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5 Prepayments

(1) The amounts mainly represent prepayments for purchase of fuel and materials.

(2) The prepayments by ageing

Ageing	2009		2008	
	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)
Within one year (including one year)	475,075	98.53	168,434	99.09
Between one and two years (including two years)	6,195	1.29	1,421	0.83
Between two and three years (including three years)	883	0.18	130	0.08
Total	482,153	100.00	169,985	100.00

The ageing is counted starting from the date prepayments are recognised.

As at 31 December 2009, the Group does not have individually significant prepayments with ageing over one year.

(3) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of prepayments.

### 6 Inventories

(1) Inventories by category

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Coal and stalk	1,361,016	21,320,143	(21,772,920)	908,239
Fuel oil	70,070	209,866	(211,183)	68,753
Materials, components and spare parts	426,714	3,440,512	(3,422,831)	444,395
Sub-total	1,857,800	24,970,521	(25,406,934)	1,421,387
Less: Provision for diminution in value of inventories	(75,640)	(344)	766	(75,218)
Total	1,782,160	24,970,177	(25,406,168)	1,346,169

(2) Provision for diminution in value of inventories

Category of inventories	Opening balance	Provision made for the year	Decrease for the year		Closing balance
			Reversal	Write-off	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Materials, components and spare parts	75,640	344	(627)	(139)	75,218

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 7 Other current assets

Item	2009	2008
	RMB'000	RMB'000
VAT recoverable	594,231	496,290
Prepaid city maintenance and construction tax	552	3,480
Prepaid EIT	61,522	49,723
Others	4,442	1,165
Total	<b>660,747</b>	<b>550,658</b>

### 8 Available-for-sale financial assets

Available-for-sale financial assets represent 6,500,000 shares of initial offerings of the Bank of Communications Co., Ltd. held by the Group, the cost price is RMB 1 per share, changes in fair value of the year, see Note X. 3.

### 9 Long-term equity investments

#### (1) Long-term equity investments by category

Item	2009	2008
	RMB'000	RMB'000
Investments in jointly controlled entity	221,799	221,817
Investments in associates	3,952,640	1,952,983
Other long-term equity investments	565,198	487,909
Sub-total	4,739,637	2,662,709
Less: Provision for impairment	—	—
Total	<b>4,739,637</b>	<b>2,662,709</b>

#### (2) Information of significant investment in jointly controlled entity and associates

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Percentage of equity interest held by the Group	Percentage of voting rights held by the Group	Closing balance of total assets	Closing balance of total liabilities	Closing balance of net assets	Operating income for the year	Net profits/(losses) for the year
						RMB'000	(%)	(%)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
I. Jointly controlled entity													
Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	Limited company	Yinchuan, the PRC	Ji Jun	73597054-2	Generation and sale of electricity	285,600	50	50	2,079,984	1,636,386	443,598	669,796	8,890
II. Associates													
Ningxia Power Generation (Group) Company Limited ("Ningxia Power Company")	Limited company	Yinchuan, the PRC	Liu Yingkuan	75080505-1	Generation and sale of electricity and investment holding	1,011,600	31.11	31.11	15,044,373	13,766,120	1,278,253	3,262,410	172,809
Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company")	Limited company	Chizhou, the PRC	Wang Wenqi	75099966-9	Generation and sale of electricity	640,000	40	40	2,055,605	1,777,418	278,187	788,266	(123,473)
Huadian Property Co. Ltd. ("Huadian Property")	Limited company	Beijing, the PRC	Xin Baan	77545281-1	Property development	1,450,000	20	20	3,494,668	2,083,250	1,411,418	178,821	(13,991)

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 Long-term equity investments (continued)

#### (2) Information of significant investment in jointly controlled entity and associates (continued)

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Percentage of voting rights		Closing balance of total assets	Closing balance of total liabilities	Closing balance of net assets	Operating income for the year	Net profits/(losses) for the year
							Percentage of equity interest held by the Group	in investee held by the Group					
						RMB'000	(%)	(%)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
II. Associates (continued)													
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	Limited company	Luzhou, the PRC	Guo Yong	76728573-4	Generation and sale of electricity	200,000	40	40	4,918,209	4,534,129	384,080	1,455,834	(56,084)
Huadian Coal Industry Group Company Limited ("Huadian Coal")	Limited company	Beijing, the PRC	Deng Jianling	71093361-4	Provision of coal procurement service	1,560,000	21.24	21.47	10,333,911	7,807,500	2,526,411	4,641,757	238,326
Zoucheng Lunan Electricity Power Technology Development Company Limited	Limited company	Zoucheng, the PRC	Bi Ye	16613151-0	Provision of technical service for electricity and other services	4,333	40	40	12,313	7,013	5,300	51,337	(224)
China Huadian Finance Corporation Limited ("China Huadian Finance")	Limited company	Beijing, the PRC	Chen Feihu	11778303-7	Provision of corporate financial service to its group companies	1,390,000	23.50	25.21	15,712,992	13,813,263	1,899,729	364,004	171,472
China Huadian New Energy Development Company Limited ("Huadian New Energy")	Limited company	Beijing, the PRC	Yang Jiapeng	71093502-X	New energy projects management and investment holding	688,000	20	20	10,616,307	9,340,143	1,276,164	384,852	25,594
Huadian Jinchajiang Upstream Hydropower Development Co., Ltd. ("Jinchajiang Company")	Limited company	Chengdu, the PRC	Xin Baoan	78911988-4	Generation and sale of electricity (under construction)	30,000	20	20	372,875	342,875	30,000	—	—
Sichuan Huayingshan Longtan Coal Power Company Limited ("Longtan Coal Company")	Limited company	Guang'an, the PRC	Gao Zhengqiang	74692267-7	Development of coal mines and sale of coal	36,000	36	45	662,677	518,048	144,629	194,115	75
Shijiazhuang Huadian Heat Company Limited ("Shijiazhuang Heat Company")	Limited company	Shijiazhuang, the PRC	Mo Linfeng	71836417-X	Generation and sale of heat	207,370	40.18	49	1,510,949	1,256,713	254,236	817,905	16,861
Pingshan Gangnan Hydroelectric Power Company Limited	Limited company	Shijiazhuang, the PRC	Zhao Wei	70082307-5	Generation and sale of electricity	6,000	35	35	15,626	3,821	11,805	11,302	469
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Company")	Limited company	Baoding, the PRC	He Zengyun	10595188-1	Generation and sale of electricity and heat	12,590	33.33	33.33	59,166	14,721	44,445	206,416	17,713
Xingtai Xiangtai Thermal Power Company Limited ("Xiangtai Company")	Limited company	Xingtai, the PRC	Han Guozhao	75028577-0	Generation and sale of electricity and heat	4,000	26	26	15,625	1,839	13,786	102,831	960
Longyao Huanui Thermal Power Company Limited	Limited company	Xingtai, the PRC	Han Guozhao	75892662-4	Generation and sale of electricity and heat	70,000	25	25	397,083	294,356	102,727	170,112	10,749
Hengshui Hengqing Power Generation Company Limited ("Hengqing Company")	Limited company	Hengshui, the PRC	Wang Jincheng	74341504-7	Generation and sale of electricity and heat	475,000	30	30	1,631,235	959,308	671,927	1,076,533	105,328

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 Long-term equity investments (continued)

#### (2) Information of significant investment in jointly controlled entity and associates (continued)

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Percentage of		Closing balance of total assets	Closing balance of total liabilities	Closing balance of net assets	Operating income for the year	Net profits/(losses) for the year
							interest held by the Group	voting rights in investee held by the Group					
						RMB'000	(%)	(%)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
II. Associates (continued)													
Hebei Tianwei Huarui Electric Company Limited	Limited company	Baoding, the PRC	Wang Xiufeng	67207709-4	Production, sale and repairs of transformers	100,000	34	34	191,395	94,106	97,289	43,326	(714)
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	Limited company	Zhangjiakou, the PRC	Cao Xin	79842721-3	Generation and sale of electricity	206,000	44.08	44.08	949,897	727,137	222,760	51,835	4,582
Xingtai Guotai Power Generation Company Limited ("Guotai Company")	Limited company	Xingtai, the PRC	Wang Jingsheng	75244165-0	Generation and sale of electricity and heat	400,000	33.84	35	1,929,998	1,304,869	625,129	1,167,344	71,839
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	Limited company	Shijiazhuang, the PRC	Wang Yongzhong	75243698-2	Generation and sale of electricity and heat	880,000	33.84	35	4,242,512	2,997,421	1,245,091	1,866,713	84,789
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited ("Dongsheng Company")	Limited company	Ereduosi, the PRC	Miu Jun	78300656-3	Generation and sale of electricity and heat	500,000	19.34	20	2,464,338	1,819,618	644,720	691,011	80,656
Guodian Huanan Thermal Power Company Limited ("Huanan Company")	Limited company	Zhangjiakou, the PRC	Li Enyi	78981246-X	Generation and sale of electricity and heat	514,800	33.84	35	2,640,007	2,169,562	470,445	1,094,465	112,350
Hebei Jiantou Renqiu Thermal Power Company Limited	Limited company	Cangzhou, the PRC	Ye Yonghui	77615447-X	Generation and sale of electricity and heat (under construction)	98,850	38.67	40	184,985	86,135	98,850	—	—
Ertuokeqianqi Changcheng Mine Company Limited ("Changcheng Mine Company")	Limited company	Inner Mongolia, the PRC	Shi Wei	77221211-8	Sale of mechanical equipments and accessories for coal mines	20,000	25	25	1,425,995	728,792	697,203	407,038	(41,406)
Inner Mongolia Fucheng Mining Company Limited ("Fucheng Mining Company")	Limited company	Inner Mongolia, the PRC	Shi Wei	78707803-8	Sale of ironstone and steel products	150,000	35	35	1,919,979	782,809	1,137,170	—	—

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 Long-term equity investments (continued)

#### (3) Investment in jointly controlled entity and associates

Investee name	Accounting for method	Initial investment cost	Opening balance	Addition in investment	Adjustments under equity method			Closing balance
					Gains/ (losses) in investment	Transfer of capital reserve	Cash dividends for the year	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
I. Jointly controlled entity								
Zhongning Company	Equity method	142,800	221,817	—	4,445	—	(4,463)	221,799
II. Associates								
Ningxia Power Company	Equity method	280,000	348,254	—	53,760	—	(9,333)	392,681
Chizhou Company	Equity method	258,940	160,664	—	(49,389)	—	—	111,275
Huadian Property	Equity method	290,000	165,000	125,000	(3,026)	—	—	286,974
Luzhou Company	Equity method	344,000	153,555	—	(22,434)	—	—	131,121
Huadian Coal	Equity method	335,000	399,586	—	43,014	—	(22,422)	420,178
China Huadian Finance	Equity method	361,110	437,511	—	43,220	18,797	(17,680)	481,848
Huadian New Energy	Equity method	139,605	98,114	40,000	5,119	—	—	143,233
Longtan Coal Company	Equity method	64,910	64,910	—	—	—	—	64,910
Shijiazhuang heat Company	Equity method	117,143	117,179	—	8,141	—	(744)	124,576
Hengxing Company (Note 1)	Equity method	189,604	—	189,604	30,478	—	(17,617)	202,465
Yuzhou Wind Company (Note 1)	Equity method	96,173	—	96,173	2,020	—	—	98,193
Guotai Company (Note 1)	Equity method	208,842	—	208,842	25,244	—	(15,191)	218,895
Xibaipo Company (Note 1)	Equity method	435,996	—	435,996	29,815	—	(29,890)	435,921
Dongsheng Company (Note 1)	Equity method	112,812	—	112,812	16,149	—	—	128,961
Huaian Company (Note 1)	Equity method	143,682	—	143,682	21,109	—	—	164,791
Changcheng Mine Company	Equity method	109,050	—	109,050	—	—	—	109,050
Fucheng Mining Company	Equity method	309,042	—	309,042	—	—	—	309,042
Other associates	Equity method	120,658	8,210	112,925	9,179	—	(1,788)	128,526
Sub-total		3,916,567	1,952,983	1,883,126	212,399	18,797	(114,665)	3,952,640
Total		4,059,367	2,174,800	1,883,126	216,844	18,797	(119,128)	4,174,439

Note 1: The Company acquired Huarui Group Company on 1 January 2009 with 100% equity interest, the companies mentioned above are the associates of Huarui Group Company and Huafeng Investment Company, a subsidiary of Huarui Group Company.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 9 Long-term equity investments (continued)

#### (4) Other long-term equity investments

Investee name	Accounting for method	Initial investment cost	Opening balance	Addition in investment	Closing balance	Parentage of equity interest held by the Group	Percentage of voting rights in investee held by the Group	Cash dividends for the year
		RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Shandong Luneng Heze Coal Power Development Company Limited ("Luneng Heze Company")	Cost method	103,609	103,609	—	103,609	12.27	12.27	12,270
Shanxi Jinzhongnan Railway Coal Distribution Company Limited ("Jinzhongnan Coal Company")	Cost method	39,200	39,200	—	39,200	14	14	—
CHD Power Plant Operation Company Limited ("CHD Operation")	Cost method	5,000	5,000	—	5,000	10	10	—
Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited ("Daduhe Hydropower Company")	Cost method	12,500	7,500	5,000	12,500	5	5	—
Ningdong Railway Corporation Limited ("Ningdong Railway Company")	Cost method	300,000	300,000	—	300,000	10	10	—
Sichuan Huayingshan Coal Company Limited	Cost method	20,000	20,000	—	20,000	2	2	—
Hebei Handan Thermal Power Corporation Limited (Note 1)	Cost method	72,289	—	72,289	72,289	16	16	—
Weifang Venture Capital Company Limited	Cost method	5,000	5,000	—	5,000	9.77	9.77	—
Zhejiang Fuxing Electric Power Fuel Company Limited ("Fuxing Fuel")	Cost method	4,600	4,600	—	4,600	3.07	3.07	10,800
Shanghai Tonghua Gas turbine Services Company Limited	Cost method	3,000	3,000	—	3,000	10	10	680
<b>Total</b>		<b>565,198</b>	<b>487,909</b>	<b>77,289</b>	<b>565,198</b>			<b>23,750</b>

Note 1: The Company acquired Huarui Group Company on 1 January 2009 with 100% equity interest, and Handan Power is the other investment of Huarui Group Company.



# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Fixed assets

#### (1) Fixed assets

Item	Plants and buildings	Generators and related machinery and equipment	Mining structures and mining rights	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>I. Cost</b>					
Opening balance for the year	20,002,989	61,928,422	—	1,388,177	83,319,588
Additions for the year	1,616	14,408	—	33,763	49,787
Additions from acquisition of subsidiaries	141,358	290,437	63,808	32,688	528,291
Transferred from construction in progress (Note 11)	1,638,840	4,623,308	—	172,466	6,434,614
Disposals for the year	(23,590)	(188,949)	—	(19,486)	(232,025)
Closing balance for the year	21,761,213	66,667,626	63,808	1,607,608	90,100,255
<b>II. Accumulated depreciation</b>					
Opening balance for the year	(4,896,999)	(16,878,784)	—	(728,899)	(22,504,682)
Charge for the year	(769,971)	(3,121,223)	—	(161,092)	(4,052,286)
Written-back on disposals	23,442	178,507	—	18,226	220,175
Closing balance for the year	(5,643,528)	(19,821,500)	—	(871,765)	(26,336,793)
<b>III. Net book value</b>					
Closing balance for the year	16,117,685	46,846,126	63,808	735,843	63,763,462
Opening balance for the year	15,105,990	45,049,638	—	659,278	60,814,906

As at 31 December 2009, the Group did not have any fixed assets that have been restricted on the ownership or guaranteed during the year.

- (2) As at 31 December 2009, the Group did not have any temporary idle fixed assets.
- (3) As at 31 December 2009, the Group did not have any fixed assets acquired under finance leases or leased out under operating leases.
- (4) As at 31 December 2009, the Group did not have any fixed assets held for sale.
- (5) As at 31 December 2009, the Group did have parts of fixed assets with pending certificates of ownership. The Board of Directors considered that the Group was entitled to lawfully and effectively occupy or the use of such fixed assets.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Construction in progress

Project	Budget amount	Opening balance	Additions through acquisition of subsidiaries	Additions for the year	Transfer to fixed assets	Closing balance	Percentage of input to budget	Accumulated capitalised interest	Including: capitalised interest for the year	Source of funds
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	RMB'000	RMB'000	
Guang'an Company Phase III generating units	4,490,400	296,743	—	163,844	(206,068)	254,519	86	10,974	6,754	Self-financing and bank loans
Luohe Company Phase I generating units	2,677,930	167,175	—	1,933,860	(1,494,558)	606,477	79	29,104	65,872	Self-financing and bank loans
Lingwu Company Phase II generating units	7,669,000	217,267	—	693,104	—	910,371	12	161,150	115,771	Self-financing and bank loans
Luding Hydroepower Company Phase I generating units	8,782,228	1,093,635	—	911,919	—	2,005,554	23	146,240	75,654	Self-financing and bank loans
Kailu Wind Power Company Yihetala Phase I generating units	532,940	25,887	—	241,803	—	267,690	50	14,339	11,092	Self-financing and bank loans
Kailu Wind Power Company Beiqinghe generating units	2,421,570	25,398	—	1,452,253	—	1,477,651	61	23,178	23,041	Self-financing and bank loans
Shijiazhuang Yuhua Thermal Power Company project	2,731,620	1,407,243	—	979,087	(2,282,059)	104,271	87	1,457	20,341	Self-financing and bank loans
Zagunao Hydroelectric Company Shiziping hydroelectric project	2,950,000	1,883,325	—	921,096	(7,313)	2,797,108	95	373,859	105,816	Self-financing and bank loans
Zagunao Hydroelectric Company Gucheng hydroelectric project	1,490,000	904,132	—	547,001	—	1,451,133	97	249,741	62,099	Self-financing and bank loans
Desulphurisation, technical improvement projects and others	—	2,182,687	18,547	2,939,100	(2,444,616)	2,695,718		263,045	158,341	Self-financing and bank loans
		8,203,492	18,547	10,783,067	(6,434,614)	12,570,492		1,273,087	644,781	

The Group's carrying amount of construction in progress at the end of the year included capitalised borrowing cost of RMB 1,270 million (2008: RMB 869 million). The interest rate per annum at which the borrowing costs were capitalised for the year by the Group was 5.10% (2008: 6.26%).

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 12 Construction materials

Item	Opening balance	Additions through acquisition	Additions for the year	Decreases for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Construction materials	6,882	10,275	90,808	(85,965)	22,000

### 13 Intangible assets

Item	Land use rights	Mining rights	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>I. Cost</b>				
Opening balance for the year	1,396,560	—	—	1,396,560
Additions for the year	62,814	—	15,176	77,990
Additions from acquisition of subsidiaries	—	1,692,340	670	1,693,010
Closing balance for the year	1,459,374	1,692,340	15,846	3,167,560
<b>II. Accumulated amortisation</b>				
Opening balance for the year	(202,259)	—	—	(202,259)
Charge for the year	(34,681)	—	(4,132)	(38,813)
Closing balance for the year	(236,940)	—	(4,132)	(241,072)
<b>III. Net book value</b>				
Closing balance for the year	1,222,434	1,692,340	11,714	2,926,488
Opening balance for the year	1,194,301	—	—	1,194,301

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

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

As at 31 December 2009, the Group's total land use rights with indefinite life amounted to RMB400,467,000 (2008: RMB400,467,000). They were mainly land use rights assigned by the PRC's land bureau with indefinite land use period. As at 31 December 2009, the Group had performed impairment test to those land use rights. According to the test results, no provision for impairment was needed to be made on intangible assets with indefinite useful lives by the Group for the current year.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 14 Goodwill

Investee name	Note	Opening balance	Addition for the year	Decrease for the year	Closing balance	Provision for impairment at the year end
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Laicheng Plant	(1)	12,111	—	—	12,111	—
Zibo Thermal Power Company	(1)	4,555	—	—	4,555	—
Weifang Company	(1)	20,845	—	—	20,845	—
Zagunao Hydroelectric Company	(1)	16,011	—	—	16,011	—
Huarui Group Company	IV. 6(1)	—	54,164	—	54,164	—
<b>Total</b>		<b>53,522</b>	<b>54,164</b>	<b>—</b>	<b>107,686</b>	<b>—</b>

Note:

- (1) 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.

As at 31 December 2009, the Group had performed impairment test to goodwill mentioned above. According to the test results, no provision for impairment was needed to be made on the goodwill by the Group for the current year.

### 15 Deferred tax assets/deferred tax liabilities

#### (1) Composite of deferred tax assets and liabilities after offsetting

Item	2009		2008	
	Deductible/ (taxable) temporary differences RMB'000	Deferred tax assets/ (liabilities) RMB'000	Deductible/ (taxable) temporary differences RMB'000	Deferred tax assets/ (liabilities) RMB'000
Provision for stock and bad debt	112,335	25,157	111,183	24,883
Amortisation of pre-operation expenses	—	—	100,133	24,284
Accrued salary expenses	107,237	26,545	97,728	24,432
Tax losses	1,415,255	344,615	1,045,661	261,416
Fair value adjustment	(1,849,414)	(506,259)	(846,818)	(187,108)
Depreciation of fixed assets	(2,934,450)	(733,616)	(2,545,904)	(636,477)
Capitalised interests	(93,220)	(23,100)	(99,096)	(24,331)
Unrealised exchange gain	—	—	(119,472)	(29,868)
Others	25,632	6,118	9,218	2,303
<b>Total</b>	<b>(3,216,625)</b>	<b>(860,540)</b>	<b>(2,247,367)</b>	<b>(540,466)</b>
Deferred tax assets and liabilities presented in balance sheet				
Deferred tax assets		285,257		269,418
Deferred tax liabilities		(1,145,797)		(809,884)
<b>Total</b>		<b>(860,540)</b>		<b>(540,466)</b>

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15 Deferred tax assets/deferred tax liabilities (continued)

#### (1) Composite of deferred tax assets and liabilities after offsetting (continued)

	Deferred tax assets/(liabilities)				
	Opening balance	Movement charged to capital reserve	Movement charged to income statement	Acquisition of subsidiaries	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for stock and bad debt	24,883	—	274	—	25,157
Amortisation of pre-operation expenses	24,284	—	(24,284)	—	—
Accrued salary expenses	24,432	—	2,113	—	26,545
Tax losses	261,416	—	83,199	—	344,615
Fair value adjustment	(187,108)	(7,185)	9,743	(321,709)	(506,259)
Depreciation of fixed assets	(636,477)	—	(97,139)	—	(733,616)
Capitalised interests	(24,331)	—	1,231	—	(23,100)
Unrealised exchange gain	(29,868)	—	29,868	—	—
Others	2,303	—	3,815	—	6,118
<b>Total</b>	<b>(540,466)</b>	<b>(7,185)</b>	<b>8,820</b>	<b>(321,709)</b>	<b>(860,540)</b>

#### (2) Details of offsetting between deferred tax assets and liabilities

Item	Offsetting amount for the year
	RMB'000
Deferred tax assets	174,344
Deferred tax liabilities	(174,344)

#### (3) Details of unrecognised deferred tax assets

Item	2009	2008
	RMB'000	RMB'000
Deductible tax losses	<b>1,747,596</b>	<b>2,810,589</b>

#### (4) Expiration of deductible tax losses for unrecognised deferred tax assets

Year	2009	2008
	RMB'000	RMB'000
2013	<b>1,626,546</b>	2,810,589
2014	<b>121,050</b>	—
<b>Total</b>	<b>1,747,596</b>	<b>2,810,589</b>

### 16 Other non-current assets

Item	2009	2008
	RMB'000	RMB'000
Prepayments for investment	<b>1,722,896</b>	—

Prepayments for investment represent acquisition fund prepaid according to the investment agreement, and the Group is advancing the related agreements' implement according to the relevant requirements.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 17 Details of provisions for impairment

Item	Note	Opening balance	Charge for the year	Decrease for the year	Closing balance Reversal	Write off
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
I. Provision for bad and doubtful debts						
Trade receivables	V.3	32,633	—	—	—	32,633
Other receivables	V.4	3,285	1,961	(56)	(699)	4,491
II. Provision for diminution in value of inventories	V.6	75,640	344	(627)	(139)	75,218
Total		111,558	2,305	(683)	(838)	112,342

### 18 Restricted assets

As at 31 December 2009, the assets with restrictions placed on their ownership were as follows:

Item	Note	Opening balance	Charge for the year	Decrease for the year	Closing balance
		RMB'000	RMB'000	RMB'000	RMB'000
Assets used as guarantee					
— Cash at bank and on hand	V.1	4,791	4,603	(7,488)	1,906
— Bills receivable	V.2	—	280,000	—	280,000
— Trade receivables	V.3	1,248,544	1,026,653	(2,131,914)	143,283
Total		1,253,335	1,311,256	(2,139,402)	425,189

The Group's cash at bank and on hand used as guarantee represent bank deposits pledged for bills payable. The Group's bills receivable used as guarantee represent discounted commercial acceptance bills to financial institutions, and their risks and rewards did not transfer. The Group's trade receivables used as guarantee represent trade receivables for sale of electricity pledged for short-term loans.

### 19 Short-term loans

#### (1) Short-term loans by category

Item	2009	2008
	RMB'000	RMB'000
Unsecured loans	16,683,380	10,772,134
Secured loans	110,000	909,000
Loans guaranteed by third parties	—	325,000
Total	16,793,380	12,006,134

#### (2) As at 31 December 2009, the Group do not have any past due short-term loans.

### 20 Bills payable

Category	2009	2008
	RMB'000	RMB'000
Bank acceptance bills	1,357,201	1,654,763

The bills payable above are due within one year.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 21 Trade payables

(1) Details of trade payables are as follows:

Item	2009	2008
	RMB'000	RMB'000
Payables for coal and oil	1,085,231	980,679
Payables for construction, equipment and material	2,553,751	2,461,398
Payables for major overhaul and maintenance	53,293	21,671
Others	29,093	—
Total	<b>3,721,368</b>	<b>3,463,748</b>

As at 31 December 2009, the Group does not have any individually significant trade payables with ageing over one year.

The foreign currency included in the balance of trade payables amounted to USD 834,283 (2008: USD 1,403,828) at exchange rate 6.8282 (2008: 6.8346).

(2) No amount due to shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of trade payables.

### 22 Advances from customers

(1) Details of advances from customers are as follows:

Item	2009	2008
	RMB'000	RMB'000
Sales of heat	65,438	25,067
Others	16,639	27,867
Total	<b>82,077</b>	<b>52,934</b>

As at 31 December 2009, the Group do not have any individually significant advances from customers with ageing over one year.

(2) No amount due to shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of advances from customers.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 23 Wages payable

Item	Opening balance	Additions for the year	Payments for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
I. Wages, bonuses, allowances and subsidies	151,507	888,320	(888,320)	151,507
II. Staff welfare	—	106,462	(106,462)	—
III. Social insurances				
Including:				
1. Medical insurance	9,809	117,464	(111,904)	15,369
2. Pension insurance	5,363	291,867	(288,455)	8,775
3. Unemployment insurance	2,969	18,403	(18,067)	3,305
4. Work injury insurance	160	8,234	(7,977)	417
5. Maternity insurance	17	5,619	(5,399)	237
IV. Housing fund	2,548	245,252	(243,288)	4,512
V. Labour union and staff education fund	19,341	40,493	(38,779)	21,055
VI. Termination benefits	17,373	—	(4,329)	13,044
VII. Supplementary pension insurance	282	93,085	(92,520)	847
VIII. Others	438	93,078	(93,300)	216
Total	<u>209,807</u>	<u>1,908,277</u>	<u>(1,898,800)</u>	<u>219,284</u>

The Group has joined supplementary pension insurance managed by China Huadian.

### 24 Taxes payable

Item	2009	2008
	RMB'000	RMB'000
VAT	116,813	68,275
EIT	24,217	10,216
Individual income tax	20,857	20,739
Education surcharge	19,023	11,523
City maintenance and construction tax	28,743	16,177
Land use tax	37,379	20,258
Others	19,896	19,598
Total	<u>266,928</u>	<u>166,786</u>

### 25 Interests payable

Item	2009	2008
	RMB'000	RMB'000
Interests payable for loans	139,293	140,600
Interests payable for debentures	85,873	—
Total	<u>225,166</u>	<u>140,600</u>





# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28 Long-term loans due within one year

Item	2009	2008
	RMB'000	RMB'000
Secured loans	891,634	751,024
Guaranteed loans	45,271	264,817
Unsecured loans	3,626,991	3,661,600
Total	4,563,896	4,677,441

The secured loans due within one year are secured by the income stream in respect of the sales of electricity.

As at 31 December 2009, the foreign currencies included in the balance of long-term loans due within one year amounting to USD 3,246,985 and EUR 1,356,202 (2008: USD 105,300,000 and EUR 1,356,202) at exchange rate 6.8282 and 9.7971 (2008: 6.8346 and 9.6590) respectively.

#### (1) As at 31 December 2009, the top five largest long-term loans due within one year

Debtor	Loan starting date	Loan ending date	Currency	Interest rate (%)	2009	2008
					RMB'000	RMB'000
1. Bank of Communications Co., Ltd. Jining Branch	26 August 2008	16 August 2010	RMB	4.86	350,000	—
2. Bank of Communications Co., Ltd. Qingdao Licang No. 1 Subbranch	25 January 2008	25 January 2010	RMB	4.86	300,000	—
3. Bank of Communications Co., Ltd. Qingdao South No. 1 Subbranch	15 September 2005	26 August 2010	RMB	5.184	280,000	—
4. SITC	8 November 2005	7 November 2010	RMB	5.346	250,000	—
5. Syndicated Loans (Note 1)	28 June 2006	18 December 2022	RMB	5.346	200,000	200,000
Total					1,380,000	200,000

Note 1: Syndicated Loans above included Industrial and Commercial Bank of China Co., Ltd. Anhui Branch, China Development Bank Co., Ltd. Beijing Branch, Bank of Communications Co., Ltd. Wuhu Branch, Bank of Communications Co., Ltd. Beijing Branch and China Huadian Finance.

#### (2) As at 31 December 2009, the Group do not have any overdue loans in the balance of long-term loans due within one year.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29 Long-term loans

#### (1) Long-term loans by category

Item	2009	2008
	RMB'000	RMB'000
Unsecured loans	33,050,170	30,223,276
Secured loans	13,556,200	13,992,200
Loans guaranteed by third parties	207,000	441,080
Loans guaranteed by China Huadian	160,767	351,601
Loans guaranteed by SEPCO	29,108	39,327
Less: Long-term loans due within one year	(4,563,896)	(4,677,441)
Total	42,439,349	40,370,043

As at 31 December 2009, the foreign currencies included in the balance of long-term loans amounting to USD 108,166,061 and EUR 15,053,416 (2008: USD 10,394,000 and EUR 16,409,798) at exchange rate 6.8282 and 9.7971 (2008: 6.8346 and 9.6590) respectively.

#### (2) As at 31 December 2009, the top five largest long-term loans

Debtor	Loan starting date	Loan ending date	Currency	Interest rate (%)	2009	2008
					RMB'000	RMB'000
1. Syndicated Loans (Note 1)	26 December 2005	26 December 2025	RMB	5.346	3,101,000	3,111,000
2. Syndicated Loans (Note 2)	28 June 2006	10 June 2028	RMB	5.346	2,805,000	2,778,000
3. Industrial and Commercial Bank of China Co., Ltd. Hangzhou Chengzhan Subbranch	1 December 2003	31 December 2019	RMB	5.346	1,700,000	1,800,000
4. Industrial and Commercial Bank of China Co., Ltd. Guang'an Branch	1 December 2005	1 December 2020	RMB	5.346	1,500,000	1,220,000
5. Industrial and Commercial Bank of China Co., Ltd. Xinxiang Jiefang Road Subbranch	22 April 2008	7 December 2018	RMB	5.346	1,130,000	1,170,000
Total					10,236,000	10,079,000

Note 1: Syndicated Loans above included Bank of China Co., Ltd. Chengdu Development West District Subbranch, China Development Bank Co., Ltd. Sichuan Branch, Industrial and Commercial Bank of China Co., Ltd. Chengdu Zhiqian Subbranch and China Huadian Finance.

Note 2: Syndicated Loans above included China Development Bank Co., Ltd. Beijing Branch, Industrial and Commercial Bank of China Co., Ltd. Anhui Branch, Bank of Communications Co., Ltd. Wuhu Branch, Bank of Communications Co., Ltd. Beijing Branch and China Huadian Finance.

### 30 Debentures payable

Item	Opening balance	Addition for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Medium-term notes	—	2,971,022	—	2,971,022

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 30 Debentures payable (Continued)

(1) The analysis of debentures payable is set out as follows:

Debenture	Face value	Date of issuance	Maturity period	Interest rate (%)	Opening balance RMB'000	Issuance amount RMB'000	Discount RMB'000	Amortisation RMB'000	Closing balance RMB'000
The first tranche of 2009 medium-term notes	100	17 March 2009	From 18 March 2009 to 18 March 2012	3.38	—	1,500,000	(13,500)	3,560	1,490,060
The second tranche of 2009 medium-term notes	100	25 March 2009	From 26 March 2009 to 26 March 2014	3.96	—	1,500,000	(22,500)	3,462	1,480,962
Total					—	3,000,000	(36,000)	7,022	2,971,022

The debentures above are paid interests annually and principals are repaid on maturity.

### 31 Long-term payables

Long-term payables represent payables for mining rights which will be paid during the period contract performed.

No amount due to shareholders who hold 5% or more of the voting rights of the Group is included in the closing balance of long-term payables.

### 32 Share capital

	Opening balance RMB'000	New shares issued RMB'000	Closing balance RMB'000
Share capital	6,021,084	750,000	6,771,084

Approved by the document [2009] No. 1071 issued in October 2009 by China Securities Regulatory Commission, the Company completed a non-public offering to issue 750,000,000 shares with a nominal value of RMB1 each. Total net proceeds of the shares issued were RMB3,453,700,000, of which RMB750,000,000 was credited to share capital and the balance of RMB2,703,700,000 was credited to the capital reserve account. The paid up share capital have been verified by KPMG Huazhen and capital verification report has been issued on 25 November 2009. The report number of the capital verification report was KPMG-A-(2009) CR No. 0018.

The updated share capital of the Company included A shares with restriction on disposals amounting to RMB750,000,000, and shares without restriction on disposals amounting to RMB6,021,084,200.

### 33 Capital reserve

Item	Note	Opening balance RMB'000	Additions for the year RMB'000	Closing balance RMB'000
Share premiums	V.32	1,224,599	2,703,700	3,928,299
Other capital reserves		279,194	50,636	329,830
Total		1,503,793	2,754,336	4,258,129

Other capital reserves mainly represent government grants as state capital investment and net increase and decrease of fair value of available-for-sale financial assets.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 34 Surplus reserve

Item	Opening balance	Additions for the year	Closing balance
	RMB'000	RMB'000	RMB'000
Statutory surplus reserve	1,404,520	13,404	1,417,924
Discretionary surplus reserve	68,089	—	68,089
Total	1,472,609	13,404	1,486,013

### 35 Retained profits

Item	Note	Amount	Appropriation rate
		RMB'000	
Opening balance of retained profits		2,020,550	
Add: Net profit attributable to equity shareholders of the Company		1,162,428	
Less: Statutory surplus reserve		(13,404)	10%
Closing balance retained profits	(2)	3,169,574	

#### (1) Dividends of ordinary shares declared during the year

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

#### (2) Retained profits at the end of the year

As at 31 December 2009, the consolidated retained profits attributable to the Company included an appropriation of RMB55,598,000 to surplus reserve made by the subsidiaries (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 CAS and the amount determined under International Financial Reporting Standards ("IFRSs").

### 36 Operating income and Operating costs

#### (1) Operating income and Operating costs

Item	2009	2008
	RMB'000	RMB'000
Revenue from principal activities	36,449,643	31,798,033
Revenue from other operating activities	212,177	162,745
Operating costs	30,895,331	30,993,916

#### (2) Principal activities (by industry)

Industry	2009		2008	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	35,197,156	29,466,255	30,888,925	29,828,265
Sale of heat	1,252,487	1,271,560	909,108	1,062,636
Total	36,449,643	30,737,815	31,798,033	30,890,901

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 36 Operating income and Operating costs (Continued)

#### (3) Principal activities (by geographical area)

The Group's principal activities are the generation and sale of electricity and heat in the PRC.

#### (4) Operating income from the top five customers in 2009

Customer name	Operating income	Percentage of total operating income
	RMB'000	(%)
1. SEPCO	20,312,597	55.40
2. Sichuan Electric Power Corporation	3,035,431	8.28
3. Zhejiang Electric Power Company	2,271,922	6.20
4. Hebei Electric Power Company	2,187,327	5.97
5. East China Grid Company Limited	2,123,522	5.79
Total	29,930,799	81.64

### 37 Sales taxes and surcharges

Item	2009	2008	Taxation basis and rates
	RMB'000	RMB'000	
City maintenance and construction tax	152,578	140,520	1-7% of VAT payable
Education surcharge	95,140	87,420	3-5% of VAT payable
Total	247,718	227,940	

### 38 Finance expenses

Item	2009	2008
	RMB'000	RMB'000
Interest expenses from loans and payables	3,601,091	3,694,052
Less: Borrowing costs capitalised	(644,781)	(597,124)
Interest income from deposits and receivables	(22,961)	(34,021)
Net exchange losses/(gains)	1,435	(112,163)
Other finance expenses	13,679	14,385
Total	2,948,463	2,965,129

### 39 Investment income/(losses)

#### (1) Investment income/(losses) by item

Item	Note	2009	2008
		RMB'000	RMB'000
Income from long-term equity investments under cost method	(2)	23,740	31,004
Income/(losses) from long-term equity investments under equity method	(3)	216,844	(108,617)
Investment income from holding available-for-sale financial assets		1,248	—
Total		241,832	(77,613)

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 39 Investment income/(losses) (Continued)

(2) The significant investment income from long-term equity investments under cost method are as follows:

Investee	2009	2008	Reason for movements or the year
	RMB'000	RMB'000	
Luneng Heze Company	12,270	30,570	Under cost method, investment income is recognised
Fuxing Fuel	10,800	—	Under cost method, investment income is recognised
Total	<u>23,070</u>	<u>30,570</u>	

(3) The significant investment income/(losses) from long-term equity investments under equity method are as follows:

Investee	2009	2008	Reason for movements or the year
	RMB'000	RMB'000	
Ningxia Power Company	53,760	31,355	Profit or loss from normal operations
Chizhou Company	(49,389)	(87,711)	Profit or loss from normal operations
China Huadian Finance	43,220	42,039	Profit or loss from normal operations
Huadian Coal	43,014	54,970	Profit or loss from normal operations
Hengxing Company	30,478	—	Profit or loss from normal operations
Luzhou Company	(22,434)	(175,939)	Profit or loss from normal operations
Total	<u>98,649</u>	<u>(135,286)</u>	

### 40 Impairment losses

Item	2009	2008
	RMB'000	RMB'000
I. Losses for bad and doubtful debts		
Trade receivables	—	9,296
Other receivables	1,905	(17)
II. Losses for diminution in value of inventories	(283)	1,771
Total	<u>1,622</u>	<u>11,050</u>

### 41 Non-operating income

(1) Non-operating income by item is as follows:

Item	Note	2009	2008
		RMB'000	RMB'000
Gains on disposal of fixed assets		4,464	63,583
Government grants	(2)	50,658	209,551
Others		21,485	2,415
Total		<u>76,607</u>	<u>275,549</u>

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41 Non-operating income (Continued)

#### (2) Details of government grants

Item	2009	2008
	RMB'000	RMB'000
VAT refunding of wind and stalk power generation (Note 1)	7,531	3,066
VAT refunding of sale of heat (Note 2)	12,734	6,569
Grants of eliminating backward production facilities	11,030	126,050
Grants of sale of heat	10,512	21,685
Interest subsidies	4,884	44,410
Others	3,967	7,771
<b>Total</b>	<b>50,658</b>	<b>209,551</b>

Note 1: According to Notice of VAT Policy for Comprehensive Utilisation of Resources and Other Products (Cai Shui [2008] No.156) issued by the Ministry of Finance and the State Administration of Taxation, the Group's wind and stalk power generation earned the VAT refund policies.

Note 2: According to Notice of continue implementing the preferential taxation policies on VAT, Property Tax and the Urban Land Use Tax (Cai Shui [2009] No.11) issued by the Ministry of Finance and the State Administration of Taxation, the Group's revenue from sale of heat of 2009 earned the VAT refund policies.

### 42 Non-operating expenses

Item	2009	2008
	RMB'000	RMB'000
Losses on disposal of fixed assets	7,437	10,832
Donations	4,730	11,200
Others	6,183	2,031
<b>Total</b>	<b>18,350</b>	<b>24,063</b>

### 43 Income tax

Item	Note	2009	2008
		RMB'000	RMB'000
Income tax for the year based on tax law and corresponding regulations		113,847	21,173
Deferred taxation adjustments	(1)	(8,820)	(113,966)
Under/(over)-provision for income tax in respect of preceding year		2,969	(25,558)
<b>Total</b>		<b>107,996</b>	<b>(118,351)</b>

#### (1) The analysis of deferred taxation adjustments is set out below:

Item	2009	2008
	RMB'000	RMB'000
Origination and reversal of temporary differences	(8,820)	(133,743)
Under-provision of deferred taxation in respect of preceding year	—	19,777
<b>Total</b>	<b>(8,820)</b>	<b>(113,966)</b>



# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43 Income tax (Continued)

(2) Reconciliation between income tax and accounting profits is as follows:

Item	2009	2008
	RMB'000	RMB'000
Profit/(loss) before taxation	1,700,909	(3,162,513)
Expected income tax at a tax rate of 25%	425,227	(790,628)
Add: Non-deductible expenses	48,021	77,843
Non-taxable income	(83,841)	(46,641)
Effect of preferential tax rate of subsidiaries on income tax	(35,105)	24,486
Under/(over)-provision in respect of preceding year	2,969	(5,781)
Tax losses	(249,275)	622,370
Income tax	<u>107,996</u>	<u>(118,351)</u>

### 44 Calculation of basic earnings per share and diluted earnings per share

(1) Basic earnings per share is calculated by dividing consolidated net profit or loss of the Company attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding

	2009	2008
Consolidated net profit or loss of the Company attributable to ordinary shareholders (RMB'000)	1,162,428	(2,558,096)
Weighted average number of ordinary shares outstanding ('000 share)	6,083,584	6,021,084
Basic earnings per share (RMB/share)	0.191	(0.425)

Calculation of weighted average number of the Company's ordinary shares	2009	2008
	'000 share	'000 share
Issued ordinary shares at 1 January	6,021,084	6,021,084
Effect of shares issued (Note V. 32)	62,500	—
Weighted average number of ordinary shares at 31 December	<u>6,083,584</u>	<u>6,021,084</u>

(2) There were no dilutive potential ordinary shares in existence for the year ended 31 December 2009, therefore the diluted earnings per share is the same as the basic earnings per share.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 45 Other comprehensive income

Item	2009	2008
	RMB'000	RMB'000
1. Gains arising from available-for-sale financial assets	28,739	—
Less: Tax expenses arising from available-for-sale financial assets	7,185	—
Reclassification adjustments for amounts transferred to profit or loss	—	—
Sub-total	21,554	—
2. Share of other comprehensive income of investees accounted for under the equity method	17,776	(15,204)
Less: Tax expenses arising from share of other comprehensive income of investees accounted for under the equity method	—	—
Reclassification adjustments for amounts transferred to profit or loss	(1,021)	2,840
Sub-total	18,797	(18,044)
Total	40,351	(18,044)

### 46 Notes to cash flow statement

#### (1) Other cash received relating to operating activities

Item	Amount
	RMB'000
Cash received relating to other operating activities	131,512
Others	133,718
Total	265,230

#### (2) Other cash paid relating to operating activities

Item	Amount
	RMB'000
Cash paid relating to administration expenses	757,514
Others	89,413
Total	846,927

#### (3) Other cash received relating to investing activities

Item	Amount
	RMB'000
Interest income	25,776
Others	1,759
Total	27,535

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46 Notes to cash flow statement (Continued)

#### (4) Other cash paid relating to investing activities

Item	Amount
	RMB'000
Acquisition of minority interests	6,416
Others	287
Total	<u>6,703</u>

#### (5) Other cash received relating to financing activities

Item	Amount
	RMB'000
Cash received relating to bills financing	602,483
Government grants	149,759
Others	13,398
Total	<u>765,640</u>

#### (6) Other cash paid relating to financing activities

Item	Amount
	RMB'000
Cash paid relating to bills financing expenses	46,500
Cash repaid relating to bills financing	288,380
Others	52,427
Total	<u>387,307</u>

### 47 Information of cash flow statement

#### (1) Supplement to cash flow statement

Supplement	2009	2008
	RMB'000	RMB'000
<b>1. Reconciliation of net profit/(loss) to cash flow from operating activities:</b>		
Net profit/(loss)	1,592,913	(3,044,162)
Add: Impairment provisions for assets	1,622	11,050
Depreciation of fixed assets	4,043,021	3,803,750
Amortisation of intangible assets	36,292	33,942
Losses/(gains) on disposal of fixed assets, intangible assets and other long-term assets	2,973	(52,751)
Finance expenses	2,948,463	2,965,131
(Gains)/losses arising from investments	(241,832)	77,613
Increase in deferred tax assets	(15,839)	(178,880)
Increase in deferred tax liabilities	7,019	86,518
Decrease/(increase) in gross inventories	466,670	(1,042,379)
(Increase)/decrease in operating receivables	(1,819,190)	521,727
(Decrease)/Increase in operating payables	(354,261)	334,759
Net cash flow from operating activities	<u>6,667,851</u>	<u>3,516,318</u>
<b>2. Change in cash and cash equivalents:</b>		
Cash at the end of the year	1,241,900	1,869,305
Less: Cash at the beginning of the year	(1,869,305)	(1,517,340)
Net (decrease)/increase in cash and cash equivalents	<u>(627,405)</u>	<u>351,965</u>

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47 Information of cash flow statement (continued)

#### (2) Information on acquisition of subsidiaries during the year

Item	2009	2008
	RMB'000	RMB'000
1. Consideration of acquisition	1,527,953	1,946,496
2. Cash and cash equivalents paid for acquiring subsidiaries	1,309,253	1,044,454
Add: Cash and cash equivalents paid for last year acquiring subsidiaries in current year	1,490,585	—
Less: Cash and cash equivalents held by subsidiaries	(195,286)	(134,701)
3. Net cash paid for the acquisition	2,604,552	909,753
4. Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	202,710	635,641
Non-current assets	3,844,551	11,469,585
Current liabilities	(1,922,984)	(2,154,944)
Non-current liabilities	(420,846)	(8,440,155)

#### (3) Details of cash and cash equivalents

Item	2009	2008
	RMB'000	RMB'000
1. Cash at bank and on hand		
Including: Cash on hand	1,862	1,536
Bank deposits available on demand	1,238,234	1,864,900
Other monetary fund available on demand	1,804	2,869
2. Closing balance of cash and cash equivalents	1,241,900	1,869,305

Note: Cash and cash equivalents disclosed above exclude cash with restricted usage.

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

### 1 Parent of the Company

Company name	Related party relationship	Type	Registered place	Legal representative	Business nature	Registered capital	Percentage of equity interest to the Company	Percentage of voting right to the Company	Organisation code
						RMB'000	(%)	(%)	
China Huadian	Ultimate controlling party	State-owned enterprise	Beijing, the PRC	Yun Gongmin	Development, construction and operation management of electricity related business, organisation of production and sale of electricity and heat	12,000,000	47.21 (Note)	47.21	71093107-X

Note: This included 1.27% 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 IV. 1 for the information related to subsidiaries of the Company.

3 Please refer to Note V. 9 for information related to jointly controlled entity and associates of the Company.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 4 Other related parties

Name of other related parties	Related party relationship	Organisation code
SITC	Holding 11.83% equity interest of the Company	16304514-X
China Huadian Engineering (Group) Corporation ("Huadian Engineering") and its subsidiaries	Controlled by China Huadian	10001149-5
CHD Operation	Controlled by China Huadian	71093481-X
Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Company")	Controlled by China Huadian	80144508-5
Huadian Technology & Trade Co., Ltd. ("Huadian Technology & Trade")	Controlled by China Huadian	71092444-3
Huadian Tendering Co., Ltd. ("Huadian Tendering")	Controlled by China Huadian	71093130-1
China Huadian Group Capital Holdings Limited ("CHD Capital")	Controlled by China Huadian	71093480-1

### 5 Transactions with related parties

The below transactions with related parties were conducted under normal commercial terms or relevant agreements.

#### (1) Related party transactions concerning sale and purchase of goods, rendering of and receiving services

##### The Group

Related party	Type of related party transaction	Content of related party transaction	2009		2008	
			Amount	Percentage on the same deals	Amount	Percentage on the same deals
			RMB'000	(%)	RMB'000	(%)
Huadian Engineering and its subsidiaries	Receiving services (Note 1)	Construction expenses and Equipment expenses	194,526	1.54	253,018	2.82
China Huadian, SITC, China Huadian Finance, Huadian Tendering and CHD Operation	Interest expense (Note 1)	Interest expense	358,958	10.58	355,821	10.15
CHD Capital	Receiving services (Note 1)	Agency fees	800	100.00	—	—
Huadian Coal	Receiving services (Note 1)	Coal services fees	54,632	100.00	63,354	100.00
Huadian Technology & Trade	Receiving services (Note 1)	Property management services fees	5,295	22.75	—	—
Hengxing Company, Guotai Company, Xibaipo Company, Xiangtai Company	Purchase of goods (Note 1)	Purchase of electricity	275,129	35.07	—	—
Huacheng Company, Xiangtai Company	Sale of goods (Note 1)	Sale of electricity rights	169,393	17.98	—	—
Key management personnel	Payment of remuneration	Remuneration	6,646	0.35	6,025	0.35

##### The Company

Related party	Type of related party transaction	Content of related party transaction	2009		2008	
			Amount	Percentage on the same deals	Amount	Percentage on the same deals
			RMB'000	(%)	RMB'000	(%)
Huadian Engineering and its subsidiaries	Receiving services (Note 1)	Construction expenses and Equipment expenses	—	—	42,079	2.74
China Huadian, SITC, China Huadian Finance and Materials Company	Interest expense (Note 1)	Interest expense	87,720	20.45	77,932	16.67
CHD Capital	Receiving services (Note 1)	Agency fees	200	100.00	—	—
Huadian Technology & Trade	Receiving services (Note 1)	Property management services fees	5,295	100.00	—	—
Key management personnel	Payment of remuneration	Remuneration	6,646	1.19	6,025	1.12

Note 1: The pricing of the related party transactions mentioned above is based on the market price and the principal of fair consultation.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5 Transactions with related parties (Continued)

#### (2) Related party lease

##### The Group and the Company

Lessor name	Lessee name	Assets leased	Lease starting date	Lease ending date	Lease expense	Rationale for justifying lease expense
					RMB'000	
Anfu Company	The Company	China Huadian Building	1 April 2009	31 March 2012	36,751	Trustee area

#### (3) As at 31 December 2009, related party guaranty of the Group and the Company

##### The Group

Guarantor	Guarantee	Amount of guaranty	Guaranty starting date	Guaranty ending date	Guaranty completed (Y/N)
		RMB'000			
Guang'an Company	Longtan Coal Company	189,407	9 January 2006	14 April 2022	N
China Huadian	Banshan Company	160,767	25 June 2004	30 May 2022	N

##### The Company

Guarantor	Guarantee	Amount of guaranty	Guaranty starting date	Guaranty ending date	Guaranty completed (Y/N)
		RMB'000			
The Company	Zhangqiu Company	112,000	5 March 2003	9 March 2011	N
The Company	Luding Hydropower Company	100,000	27 December 2006	20 December 2013	N
The Company	Suzhou Biomass Energy Company	179,400	29 July 2008	29 July 2025	N
The Company	Ningdong Wind Power Company	50,000	13 March 2009	12 February 2023	N
The Company	Kailu Wind Power Company	430,000	31 May 2009	9 August 2026	N
The Company	Suzhou Company	135,800	29 December 2009	19 August 2019	N

#### (4) Related party borrowing and refunding

##### The Group

Related party	Borrowing Amount	Refunding Amount
	RMB'000	RMB'000
China Huadian	138,033	600,000
SITC	1,774,310	200,000
China Huadian Finance	3,070,000	2,280,940
CHD Operation	30,000	—
Huadian Tendering	50,000	—
Total	<u>5,062,343</u>	<u>3,080,940</u>

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5 Transactions with related parties (continued)

#### (4) Related party borrowing and refunding (Continued)

##### The Company

Related party	Borrowing Amount	Refunding Amount
	RMB'000	RMB'000
China Huadian	1,911	500,000
SITC	1,274,310	100,000
China Huadian Finance	1,200,000	900,000
Total	2,476,221	1,500,000

### 6 Related party receivables, payables, loans and deposits

##### The Group

Item	Related party	2009	2008
		RMB'000	RMB'000
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	46,271	136,240
Other payables for acquirement of subsidiaries	China Huadian	(68,780)	(902,042)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(45,334)	(14,482)
Loans from shareholders	China Huadian and SITC	(3,723,871)	(2,611,528)
Other Loans	China Huadian Finance, Huadian Tendering and CHD Operation	(4,257,756)	(3,388,695)
Deposits	China Huadian Finance	582,758	1,196,566
Trade receivables for sales of electricity rights	Huacheng Company and Xiangtai Company	9,096	—
Trade Payables for purchase of electricity	Guotai Company	(1,301)	—

##### The Company

Item	Related party	2009	2008
		RMB'000	RMB'000
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	178	19,000
Other payables for acquirement of subsidiaries	China Huadian	(68,780)	(902,042)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(111)	—
Loans from shareholders	China Huadian and SITC	(1,798,099)	(1,121,878)
Other Loans	China Huadian Finance, CHD Operation and Material Company	(750,000)	(450,000)
Deposits	China Huadian Finance	17,131	305,637
Advances for purchase of fuel	The Company's subsidiaries	(60,352)	(156,310)
Prepayments for purchase of materials	Material Company	506,213	716,573

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## VII. CONTINGENCIES

### 1 Contingent liabilities arising from guarantees provided for other entities and related financial effect

At 31 December 2009, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB189,407,000 (2008: RMB152,957,000).

## VIII. SIGNIFICANT COMMITMENTS

### 1 Capital commitments

Item	2009	2008
	RMB'000	RMB'000
Investment contracts entered into but not performed or performed partially	2,565,499	313,595
Significant construction contracts entered into under performance or preparation of performance	11,354,182	18,668,659
Significant construction contracts authorised but not contracted	16,821,398	8,041,662
Total	30,741,079	27,023,916

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

### 2 Operating lease commitments

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

Item	2009	2008
	RMB'000	RMB'000
Within one year (including one year)	78,525	30,876
Between one and two years (including two years)	77,581	29,837
Between two and three years (including three years)	40,830	29,837
Over three years	419,174	467,446
Total	616,110	557,996

## IX. POST BALANCE SHEET EVENTS

### 1 Profit appropriation after the balance sheet date

#### (1) Dividends of ordinary shares proposed after the balance sheet date

The Board of Directors proposed on 26 March 2010 the appropriation of a cash dividend of RMB0.035 per share (2008: RMB nil per share) to the Company's ordinary shareholders, totalling RMB236,987,947 (2008: RMB nil). The proposal is subject to the approval by the Shareholders' Meeting. Such cash dividend has not been recognised as a liability at the balance sheet date.



# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## X. OTHER MATERIAL EVENTS

### 1 Segment reporting

The Group's principal operating business is the generation and sale of electricity in the PRC. Based on the structure of the Group's internal organisation, management requirements and the internal reporting system, the Group determines that it only has one reportable segment, which is the generation and sale of electricity in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed. The Group's transaction information has been disclosed in Note V. 36. The Group's major external customer is the grid operator in relation to the sale of electricity and the revenue has been disclosed in Note V. 36 and Note X. 2(1).

### 2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit of the Group undertakes both regular and ad hoc reviews of risk management controls and procedures.

#### (1) Credit risk

The Group's credit risk is primarily attributable to receivables, exposure to these credit risks are monitored by management on an ongoing basis.

In respect of receivables, the Group has established a credit policy. All the customers of the Group have long-term business relationship with it, of which are mainly grid companies and thermal companies that rarely have credit loss. For monitoring the credit risk, the Group analysed its customers' information through ageing and other factors. Receivables from grid companies and thermal companies are due within 30 days and 90 days respectively from the date of billing. Normally, the Group does not obtain collateral from customers.

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

Ageing	2009	2008
	RMB'000	RMB'000
Past due within three months (including three months)	8,883	1,453
Past due three to six months (including six months)	3,241	1,708
Past due six months to one year (including one year)	8,446	518
Past due over one year	—	383
Total	<b>20,570</b>	<b>4,062</b>

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date 79% (2008: 75%) of the total trade receivables and other receivables were due from the five largest customers of the Group.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

#### (1) Credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the balance sheet. Except for the financial guarantees given by the Group and the Company as set out in Note VII, the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note VII.

#### (2) Liquidity risk

The Company and its individual subsidiaries are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, 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.

At the balance sheet date, rest of contractual term and the earliest payment date required of the contractual cash flows belonging to the Group's financial assets and liabilities which have not been discounted, including interests calculated on contractual interest rate (if the interest rate is float, the actual interest rate as at 31 December is adopted) are as follows:

Item	2009 Contractual undiscounted cash flow				Total	Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>						
Cash at bank and on hand	1,243,806	—	—	—	1,243,806	1,243,806
Receivables	3,825,322	—	—	—	3,825,322	3,825,217
Available-for-sale financial assets	58,288	—	—	—	58,288	58,288
<b>Sub-total</b>	<b>5,127,416</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5,127,416</b>	<b>5,127,311</b>
<b>Financial liabilities</b>						
Short-term loans	(17,158,977)	—	—	—	(17,158,977)	(16,793,380)
Short-term debenture payables	(3,076,821)	—	—	—	(3,076,821)	(3,002,923)
Long-term loans (including due within one year)	(6,874,603)	(9,626,682)	(18,051,141)	(26,289,264)	(60,841,690)	(47,003,245)
Debentures payable	(110,100)	(110,100)	(3,229,202)	—	(3,449,402)	(2,971,022)
Payables	(7,516,473)	—	—	—	(7,516,473)	(7,506,435)
Long-term payables	—	(426,626)	—	—	(426,626)	(426,626)
<b>Sub-total</b>	<b>(34,736,974)</b>	<b>(10,163,408)</b>	<b>(21,280,343)</b>	<b>(26,289,264)</b>	<b>(92,469,989)</b>	<b>(77,703,631)</b>
<b>Total</b>	<b>(29,609,558)</b>	<b>(10,163,408)</b>	<b>(21,280,343)</b>	<b>(26,289,264)</b>	<b>(87,342,573)</b>	<b>(72,576,320)</b>

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

#### (2) Liquidity risk (continued)

Item	2008					Balance sheet carrying amount
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash at bank and on hand	1,874,096	—	—	—	1,874,096	1,874,096
Receivables	2,179,218	—	—	—	2,179,218	2,179,218
Sub-total	4,053,314	—	—	—	4,053,314	4,053,314
Financial liabilities						
Short-term loans	(12,410,840)	—	—	—	(12,410,840)	(12,006,134)
Short-term debenture payables	(2,638,142)	—	—	—	(2,638,142)	(2,605,798)
Long-term loans (including due within one year)	(7,005,516)	(7,750,009)	(15,721,118)	(27,695,368)	(58,172,011)	(45,047,484)
Payables	(8,499,358)	—	—	—	(8,499,358)	(8,452,236)
Sub-total	(30,553,856)	(7,750,009)	(15,721,118)	(27,695,368)	(81,720,351)	(68,111,652)
Total	(26,500,542)	(7,750,009)	(15,721,118)	(27,695,368)	(77,667,037)	(64,058,338)

#### (3) Interest rate risk

Interest-bearing financial instruments at floating rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively.

(a) As at 31 December, the Group held the following interest-bearing financial instruments:

Item	2009		2008	
	Annual interest rate	Amount	Annual interest rate	Amount
	(%)	RMB'000	(%)	RMB'000
Fixed rate instruments				
Financial assets				
— Other receivables	5.35	8,000	—	—
Financial liabilities				
— Short-term loans	3.40-5.62	(9,631,823)	4.37-7.76	(6,540,650)
— Long-term loans (including due within one year)	2.25-7.30	(2,223,328)	2.25-7.47	(1,177,526)
— Short-term debenture payables	2.80-2.98	(3,002,923)	5.45	(2,605,798)
— Debentures payable	3.38-3.96	(2,971,022)	—	—
Total		(17,821,096)		(10,323,974)
Floating rate instruments				
Financial assets				
— Cash at bank and on hand	0.36-1.17	1,243,806	0.36-1.17	1,874,096
Financial liabilities				
— Short-term loans	1.77-4.78	(7,161,557)	4.54-7.47	(5,465,484)
— Long-term loans (including due within one year)	1.36-5.94	(44,779,917)	3.26-7.83	(43,869,958)
— Other payables	4.59	(218,700)	—	—
Total		(50,916,368)		(47,461,346)

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

#### (3) Interest rate risk (Continued)

##### (b) Sensitivity analysis

As at 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's equity and net profit by RMB405,386,000 (2008: RMB360,904,000).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2008.

#### (4) Foreign currency risk

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

(a) The Group's exposure as at 31 December to currency risk arising from recognised major assets or liabilities denominated in foreign currencies is as follows. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

Item	2009		2008	
	USD	EUR	USD	EUR
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term loans	(444,782)	—	(445,200)	—
Long-term loans (including due within one year)	(760,751)	(160,767)	(790,715)	(171,600)
Trade payables	(5,697)	—	(9,595)	—
Net balance sheet exposure	<u>(1,211,230)</u>	<u>(160,767)</u>	<u>(1,245,510)</u>	<u>(171,600)</u>

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

Item	Average rate		Reporting date mid-spot rate	
	2009	2008	2009	2008
	USD	6.8314	6.9451	6.8282
EUR	9.7281	10.2227	9.7971	9.6590

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

#### (4) Foreign currency risk (Continued)

##### (c) Sensitivity analysis

Assuming all other risk variables remained constant, a 10% strengthening of the Renminbi against the US dollar and Euro at 31 December would have increased 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.

Item	Shareholders' equity	Net profit
	RMB' 000	RMB' 000
As at 31 December 2009		
USD	90,842	90,842
EUR	12,058	12,058
Total	<b>102,900</b>	<b>102,900</b>
As at 31 December 2008		
USD	92,694	92,694
EUR	12,870	12,870
Total	<b>105,564</b>	<b>105,564</b>

A 10% weakening of the Renminbi against the US dollar and Euro at 31 December would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2008.

#### (5) Fair values

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

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (continued)

#### (6) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values.

- (a) Available-for-sale financial assets  
Fair value is based on quoted market prices at the balance sheet date for available-for-sale financial assets if there is an active market.
- (b) Receivables  
The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.
- (c) Loans, debentures payable and long-term payables  
The fair value of loans, debentures payable and long-term payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.
- (d) Financial guarantees  
The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.
- (e) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are based on the market interest rate and the interbank debenture market maturity yield at the balance sheet date plus an adequate credit spread and are as follows:

Item	2009 Interest rate adopted (%)	2008 Interest rate adopted (%)
Long-term loans (including due within one year)	4.86-5.35	4.86-5.35
Debentures payable	3.93-5.00	—

### 3 Assets at fair value

Item	Opening balance RMB'000	Additions from acquisition of subsidiaries RMB'000	Changes in fair value for the year RMB'000	Closing balance RMB'000
Available-for-sale financial assets	—	29,549	28,739	58,288

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

### 1 Trade receivables

#### (1) Trade receivables by category

Category	Note	2009				2008			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(3)	543,110	98.70	—	—	—	—	—	—
Other insignificant trade receivables	(3)	7,177	1.30	—	—	1,645	100.00	—	—
Total		<u>550,287</u>	<u>100.00</u>	<u>—</u>	<u>—</u>	<u>1,645</u>	<u>100.00</u>	<u>—</u>	<u>—</u>

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

Ageing	2009	2008
	RMB'000	RMB'000
Within one year (including one year)	<u>550,287</u>	<u>1,645</u>

#### (3) The Company does not make provision for bad and doubtful debts on trade receivables.

#### (4) The Company does not actually write-off any trade receivables during the year.

#### (5) The analysis of significant trade receivables is as follows:

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total trade receivables
		RMB'000		(%)
1. SEPCO	Third party	<u>550,287</u>	Within one year	<u>100.00</u>

#### (6) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Company is included in the closing balance of trade receivables.

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 2 Other receivables

#### (1) Other receivables by category

Category	Note	2009				2008			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(3)	619,976	98.11	4,227	0.68	491,946	97.58	2,266	0.46
Other insignificant other receivables	(3)	11,917	1.89	264	2.22	12,175	2.42	264	2.17
Total		<u>631,893</u>	<u>100.00</u>	<u>4,491</u>	<u>0.71</u>	<u>504,121</u>	<u>100.00</u>	<u>2,530</u>	<u>0.50</u>

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

Ageing	2009	2008
	RMB'000	RMB'000
Within one year (including one year)	606,102	500,074
Between one and two years (including two years)	22,586	737
Between two and three years (including three years)	124	513
Over three years	3,081	2,797
Sub-total	631,893	504,121
Less: Provision for bad and doubtful debts	(4,491)	(2,530)
Total	<u>627,402</u>	<u>501,591</u>

#### (3) Provision for bad and doubtful debts for other receivables at the end of the year

Other receivables	Gross carrying amount	Provision for bad and doubtful debts	Rate of provision	Reason
	RMB'000	RMB'000	(%)	
Disposal of assets	19,610	1,961	10.00	Long ageing
Others	2,530	2,530	100.00	Long ageing
Total	<u>22,140</u>	<u>4,491</u>	20.28	



# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 2 Other receivables (continued)

(4) The Company does not actually write-off any other receivables during the year.

(5) The analysis of significant other receivables is as follows:

Other receivables	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		(%)
1. Amounts due from subsidiaries	Subsidiary	599,152	Within one year	94.82
2. Amounts due from disposal of assets	Third party	21,010	Between one and two years	3.32
Total		<u>620,162</u>		<u>98.14</u>

(6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the closing balance of other receivables.

(7) Except amounts due from subsidiaries mentioned above in (5), there was no amount due from related parties of the Company in the closing balance of other receivables.

### 3 Long-term equity investments

#### (1) Investments in subsidiaries

Investee name	Accounting for method	Initial investment costs	Opening balance	Additions in investment	Closing balance	Cash dividends for the year
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Guang'an Company	Cost method	1,267,577	1,267,577	—	1,267,577	—
Qingdao Company	Cost method	345,668	345,668	—	345,668	—
Weifang Company	Cost method	823,483	823,483	—	823,483	—
Zibo Thermal Power Company	Cost method	374,800	374,800	—	374,800	—
Zhangqiu Company	Cost method	617,077	617,077	—	617,077	—
Tengzhou Thermal Power Company	Cost method	424,400	424,400	—	424,400	—
Xinxiang Company	Cost method	372,100	372,100	—	372,100	—
Suzhou Company	Cost method	818,017	518,017	300,000	818,017	—
Lingwu Company	Cost method	1,262,496	390,000	872,496	1,262,496	95,918
Luding Hydropower Company	Cost method	1,266,090	266,090	1,000,000	1,266,090	—
Wuhu Company	Cost method	348,046	348,046	—	348,046	—
Zouxian Company	Cost method	2,070,000	2,070,000	—	2,070,000	—
Luohe Company	Cost method	475,300	75,300	400,000	475,300	—
Kailu Wind Power Company	Cost method	797,128	19,123	778,005	797,128	—
Shijiazhuang Thermal Power Company	Cost method	908,511	908,511	—	908,511	—
Banshan Company	Cost method	386,724	386,724	—	386,724	56,066
Zagunao Hydroelectric Company	Cost method	449,529	449,529	—	449,529	—
Maohua Company	Cost method	1,547,000	—	1,547,000	1,547,000	—
Guyuan Wind Power Company	Cost method	336,100	—	336,100	336,100	—
Huarui Group Company	Cost method	966,895	—	966,895	966,895	—
Qudong Company	Cost method	151,740	—	151,740	151,740	—
Other subsidiaries	Cost method	315,739	241,179	74,560	315,739	23,450
Total		<u>16,324,420</u>	<u>9,897,624</u>	<u>6,426,796</u>	<u>16,324,420</u>	<u>175,434</u>

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 3 Long-term equity investments (continued)

#### (2) Investments in jointly controlled entity and associates

Investee name	Accounting for method	Initial investment costs	Opening balance	Additions in investment	Adjustments under equity method			Closing balance
					Gains/(losses) in investment	Transfer of capital reserve	Cash dividends for the year	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
I. Jointly controlled entity								
Zhongning Company	Equity method	142,800	221,817	—	4,445	—	(4,463)	221,799
II. Associates								
Ningxia Power Company	Equity method	280,000	348,254	—	53,760	—	(9,333)	392,681
Chizhou Company	Equity method	258,940	160,664	—	(49,389)	—	—	111,275
Huadian Property	Equity method	290,000	165,000	125,000	(3,026)	—	—	286,974
Luzhou Company	Equity method	344,000	153,555	—	(22,434)	—	—	131,121
Huadian Coal	Equity method	315,000	375,763	—	40,450	—	(21,084)	395,129
China Huadian Finance	Equity method	296,548	355,196	—	35,075	15,255	(14,600)	390,926
Huadian New Energy Changcheng Mine Company	Equity method	139,605	98,114	40,000	5,119	—	—	143,233
Fucheng Mining Company	Equity method	109,050	—	109,050	—	—	—	109,050
Other associates	Equity method	309,042	—	309,042	—	—	—	309,042
	Equity method	7,733	8,210	—	(90)	—	—	8,120
Sub-total		2,349,918	1,664,756	583,092	59,465	15,255	(45,017)	2,277,551
Total		2,492,718	1,886,573	583,092	63,910	15,255	(49,480)	2,499,350

#### (3) Other long-term equity investments

Investee name	Accounting for method	Initial investment costs	Opening balance	Additions in investment	Closing balance	Cash dividends for the year
Luneng Heze Company	Cost method	103,609	103,609	—	103,609	12,270
Jinzhongnan Coal Company	Cost method	39,200	39,200	—	39,200	—
CHD Operation	Cost method	5,000	5,000	—	5,000	—
Daduhe Hydropower Company	Cost method	12,500	7,500	5,000	12,500	—
Ningdong Railway Company	Cost method	300,000	300,000	—	300,000	—
Total		460,309	455,309	5,000	460,309	12,270

### 4 Operating income and Operating costs

#### (1) Operating income and Operating costs

Item	2009	2008
	RMB'000	RMB'000
Operating income from principal activities	7,553,989	8,295,421
Other operating income	72,729	83,497
Operating costs	6,681,438	8,159,933

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 4 Operating income and Operating costs (continued)

#### (2) Principal activities (by industry)

Industry	2009		2008	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	7,537,193	6,632,357	8,287,618	8,112,017
Sale of heat	16,796	20,768	7,803	8,422
Total	<u>7,553,989</u>	<u>6,653,125</u>	<u>8,295,421</u>	<u>8,120,439</u>

#### (3) Principal activities (by geographical area)

The Company's principal activities are the generation and sale of electricity in the PRC.

#### (4) Operating income from the significant customers

Customer name	Operating income	Percentage of total operating income
	RMB'000	(%)
1. SEPCO	7,537,193	98.83
2. Zaozhuang Heat Corporation	11,543	0.15
3. Laiwu Gas and Heat Company Limited	5,253	0.07
Total	<u>7,553,989</u>	<u>99.05</u>

### 5 Investment income

#### (1) Investment income by item

Item	Note	2009	2008
		RMB'000	RMB'000
Income from long-term equity investments under cost method	(2)	187,704	173,598
Income/(losses) from long-term equity investments under equity method	(3)	63,910	(120,046)
Total		<u>251,614</u>	<u>53,552</u>

#### (2) Investment income from long-term equity investments under cost method, which is more than 5% of total profits/(losses), is as follows:

Investee	2009	2008	Reason for movements for the year
	RMB'000	RMB'000	
Lingwu Company	95,918	76,580	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Banshan Company	56,066	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Material Company	17,994	11,965	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Luneng Heze Company	12,270	30,570	Under cost method, investment income is recognised when dividend is declared by investee.
Total	<u>182,248</u>	<u>119,115</u>	

# Notes to The Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)

## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 5 Investment income (Continued)

(3) Investment income/(losses) from long-term equity investments under equity method, which is more than 5% of total profits/(losses), are as follows:

Investee	2009	2008	Reason for movements for the year
	RMB'000	RMB'000	
Ningxia Power Company	53,760	31,355	Profit or loss from normal operations
Chizhou Company	(49,389)	(87,711)	Profit or loss from normal operations
Huadian Coal	40,450	51,693	Profit or loss from normal operations
China Huadian Finance	35,075	34,875	Profit or loss from normal operations
Luzhou Company	(22,434)	(175,939)	Profit or loss from normal operations
Total	<u>57,462</u>	<u>(145,727)</u>	

### 6 Supplement to cash flow statement

Supplement	2009	2008
	RMB'000	RMB'000
<b>1. Reconciliation of net profit/(loss) to cash flows from operating activities:</b>		
Net profit/(loss)	134,039	(531,884)
Add: Impairment provisions for assets	1,343	186
Depreciation of fixed assets	858,946	976,306
Amortisation of intangible assets	15,440	13,495
Losses/(income) on disposal of fixed assets, intangible assets, and other long-term assets	5,017	(29,378)
Financial expense	585,882	539,754
Gains arising from investments	(251,614)	(53,552)
Decrease in deferred tax liabilities	(1,007)	(47)
Decrease/(increase) in gross inventories	110,119	(202,696)
(Increase)/decrease in operating receivables	(581,840)	26,425
(Decrease)/increase in operating payables	(665,356)	8,353
Net cash inflow from operating activities	<u>210,969</u>	<u>746,962</u>
<b>2. Change in cash and cash equivalents:</b>		
Cash at the end of the year	193,186	780,288
Less: Cash at the beginning of the year	(780,288)	(1,077,873)
Net decrease in cash and cash equivalents	<u>(587,102)</u>	<u>(297,585)</u>

# Supplementary Information

## 1 DETAILS OF EXTRAORDINARY GAINS AND LOSSES IN 2009

Item	Amount
	<i>RMB'000</i>
Disposal of non-current assets	(2,973)
Government grants recognised through profit or loss (excluding those having close relationships with the Company's operation and enjoyed in fixed amount or quality according to uniform national standard) (Note 1)	43,127
Reversal of impairment provisions of receivable assessed on an individual basis	56
Other non-operating income and expenses besides items above	10,572
Amount of effect on taxation	(9,415)
Amount of effect on minority shareholders after taxation	(18,073)
Total	<u>23,294</u>

Note 1: Government grants from VAT refund upon collection of wind and stalk power generation in the Group's non operating income were not included in the above extraordinary gains and losses, please refer to Note V. 41(2).

Above extraordinary gain and loss items are listed by amount before taxation.

## 2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Difference in net profit and shareholders' equity included in disclosed consolidated financial statements under IFRSs and CAS

	Note	Net profit/(loss)		Shareholders' equity	
		2009	2008	2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount under CAS		<b>1,592,913</b>	(3,044,162)	<b>20,845,100</b>	15,462,893
Adjustments:					
Business combination involving entities under common control	(1)	<b>(29,122)</b>	(39,508)	<b>780,353</b>	809,475
Government grants	(2)	<b>11,485</b>	12,220	<b>(165,533)</b>	(174,103)
Taxation impact of the adjustments		<b>6,723</b>	12,328	<b>(154,762)</b>	(161,485)
Amount under IFRSs		<u><b>1,581,999</b></u>	<u>(3,059,122)</u>	<u><b>21,305,158</b></u>	<u>15,936,780</u>

	Note	Net profit/(loss) attributable to equity shareholders of the Company		Shareholders' equity attributable to equity shareholders of the Company	
		2009	2008	2009	2008
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amount under CAS		<b>1,162,428</b>	(2,558,096)	<b>15,684,800</b>	11,018,036
Adjustments:					
Business combination involving entities under common control	(1)	<b>(29,122)</b>	(39,508)	<b>780,353</b>	809,475
Government grants	(2)	<b>11,485</b>	12,220	<b>(165,533)</b>	(174,103)
Taxation impact of the adjustments		<b>6,723</b>	12,328	<b>(154,762)</b>	(161,485)
Minority shareholders' impact of the adjustments after taxation		<b>5,659</b>	12,953	<b>(58,676)</b>	(65,608)
Amount under IFRSs		<u><b>1,157,173</b></u>	<u>(2,560,103)</u>	<u><b>16,086,182</b></u>	<u>11,426,315</u>

# Supplementary Information (Continued)

## 2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS (CONTINUED)

Notes:

- (1) According to the accounting policies adopted in the Group's financial statements prepared under IFRSs, 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, 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 profits.

In addition, according to CAS, 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.

- (2) According to IFRSs, 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, government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

## 3 RETURN ON NET ASSETS AND EARNINGS PER SHARE

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" (2010 revised) issued by the CSRC, the Group's return on net assets and earnings per share are calculated as follows:

	2009	
	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets (%)	9.74	9.54
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	1,162,428	1,139,134
Weighted average net assets attributable to the Company's ordinary equity shareholders (RMB'000)	11,936,731	11,936,731
Fully diluted return on net assets (%)	7.41	7.26
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	1,162,428	1,139,134
Weighted average net assets attributable to the Company's ordinary equity shareholders (RMB'000)	15,684,800	15,684,800
Basic earnings per share (RMB)	0.191	0.187
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	1,162,428	1,139,134
Weighted average number of ordinary shares ('000 shares)	6,083,584	6,083,584

There were no dilutive potential ordinary shares in existence during the presented year, thus diluted earnings per share was equal to basic earnings per share.



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