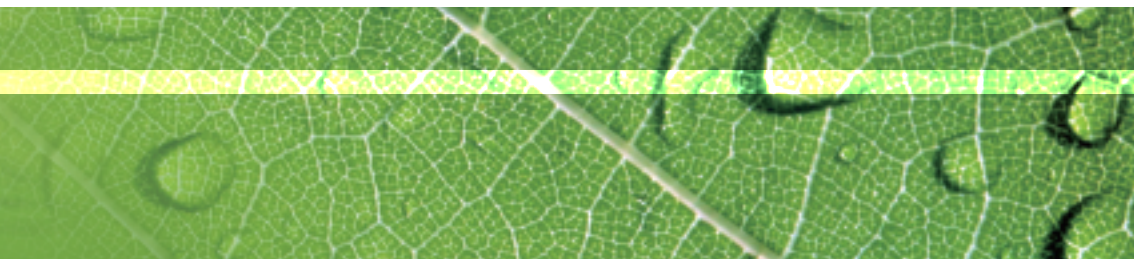


Interim Report **2010**



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華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code: 1071



The board of directors (the “Board”) of Huadian Power International Corporation Limited* (the “Company”) hereby presents the unaudited interim consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2010 (the “Period”) prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. The Group’s interim financial report for the Period is unaudited, but it has been reviewed by KPMG, the international auditor of the Company, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s unmodified review report addressed to the Board is set out on pages 56 to 57. The Audit Committee of the Company has also reviewed the 2010 interim report and its relevant financial information of the Group.

BUSINESS REVIEW

During the Period, turnover of the Group amounted to approximately RMB21,798 million, representing an increase of approximately 26.83% over the corresponding period in 2009; profit after tax attributable to equity shareholders of the Company amounted to approximately RMB26 million; earnings per share was approximately RMB0.004; net asset value per share (excluding non-controlling interests) amounted to approximately RMB2.34.

INTERIM DIVIDEND

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

POWER GENERATION

During the Period, the power generation of the Group amounted to approximately 62.52 million MWh, representing an increase of approximately 24.88% over the corresponding period in 2009; on-grid power sold amounted to approximately 58.21 million MWh, representing an increase of approximately 24.99% over the corresponding period in 2009; the unit fuel cost for power generation was approximately RMB257.52/MWh; the average utilization hours of coal-fired generating units were 2,760 hours and the coal consumption for power supply was approximately 321.89g/KWh.

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

Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Combination of generating units	Notes
Zouxian Plant	2,540	100%	2 x 600MW + 4 x 335MW	
Shiliqian 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")	433	100%	2 x 145MW + 2 x 71.5MW	2 x 300MW 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 Thermal Power Company Limited ("Tengzhou Company")	930	93.257%	2 x 315MW + 2 x 150MW	
Shandong Century Electric Power Development Co., Ltd. ("Century Power") (Note 1)	1,046	84.31%	4 x 220MW + 1 x 110MW + 2 x 28MW	

Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Combination of generating units	Notes
Huadian Laizhou Wind Power Generation 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 2)	102	100%	68 x 1.5MW	49.5MW wind power generating units under construction
Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("Shangde Solar Company") (Note 2)	10	60%	10 x 1MW	
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")	—	100%	—	4 x 230MW hydropower generating units under construction
Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("Za-gunao Hydroelectric Company") (Notes 2&3)	423	64%	3 x 65MW + 3 x 46MW + 3 x 30MW	168MW hydropower generating units under construction

Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Combination of generating units	Notes
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660MW	
Huadian Luohe Power Generation Company Limited ("Luohe Company") (Note 2)	600	75%	2 x 300MW	
Huadian Qudong Power Generation Company Limited ("Qudong Company")	—	90%	—	2 x 300MW heat-power co-generating units under construction
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	1,260	97%	2 x 630MW	
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	1,320	65%	2 x 660MW	
Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company")	600	40%	2 x 300MW	
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	25	78%	2 x 12.5MW	
Anhui Huadian Lu'an Power Generation Company Limited ("Lu'an Company")	—	95%	—	1 x 600MW generating unit under construction
Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company") (Note 2)	300	100%	200 x 1.5MW	99MW wind power generating units under construction
Huadian Kezuozhongqi Wind Power Company Limited ("Kezuozhongqi Wind Power Company")	—	100%	—	49.5MW wind power generating units under construction

Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Combination of generating units	Notes
Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company")	1,435	64%	3 x 390MW + 1 x 135MW + 1 x 130MW	
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	1,100	82%	2 x 300MW + 2 x 200MW + 4 x 25MW	2 x 300MW heat-power co-generating units under construction
Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company")	100.5	100%	67 x 1.5MW	
Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company")	—	100%	—	49.5MW wind power generating units under construction
Hebei Huadian Complex Pumping-storage Hydropower 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 4)	1,563.2	100%	—	
Shaoguan City Pingshi Electric Power Plant Company Limited (B Plant) ("Pingshi Power Company") (Note 1)	725	100%	2 x 300MW + 1 x 125MW	
Total controlled installed capacity (Note 5)	<u>26,812.0</u>			
Total interested installed capacity (Note 6)	<u>23,225.5</u>			

Note 1: Century Power has been included into the Group's consolidated financial statements since 1 May 2010; the installed capacities of Century Power include 56MW capacity of Penglai East-sea Thermal Power Company Limited which is held as to 71% by Century Power. Pingshi Power Company has been included into the Group's consolidated financial statements since 21 May 2010 and the construction work of the second 300 MW generating unit of Pingshi Power Company is still in the final stage of construction.

Note 2: The 12MW wind power generating units of Phases I & II Expansion Project of Ningdong Wind Power Company were connected to the grid and commenced power generation on 1 March 2010; the 10MW solar power generating units of Shangde Solar Company completed construction and commenced production on 1 May 2010; three 65MW hydroelectric generating units of Za-gunao Hydroelectric Company completed the 72-hour trial operation at full loaded capacity as required by the State on 17 March 2010; the second 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 29 May 2010; the 99 MW wind power generating units of Yihetala Project Phases I & II of Kailu Wind Power Company were connected to the grid and commenced power generation on 31 January 2010; the 201MW wind power units out of the 300MW wind power units of Beiqinghe Project of Kailu Wind Power Company in Tongliao were connected to the grid and commenced power generation as at 1 April 2010.

Note 3: The Group's equity interest in Za-gunao Hydroelectric Company increased from 49% to 64% on 12 May 2010.

Note 4: As at the date of this report, the interested capacity of Huarui Company held by the Group amounted to 1,563.2MW.

Note 5: The controlled installed capacity of the Group refers to the total installed capacity of the Company, its subsidiaries, jointly controlled entity and associates of which the Company is the largest shareholder.

Note 6: This is installed capacity of the Company and companies controlled or invested by the Company as at the date of this report, which was aggregated based on the respective percentage of equity interests held by the Company.

Newly installed capacity

From 1 January 2010 to the date of this report, coal-fired, hydropower, wind power and solar power generating units of the Group totalling 817MW have commenced operation:

Project Name	Capacity (MW)	Date of completion of trial operation at full loaded capacity as required by the State/commencing power generation for the grid
Yihetala Project of Kailu Wind Power Company	99	31 January 2010
Phases I&II Expansion Project of Ningdong Wind Power Company	12	1 March 2010
Shiziping Project of Za-gunao Hydroelectric Company	195	17 March 2010
Beiqinghe Project of Kailu Wind Power Company	201	1 April 2010
Shangde Solar Company Project	10	1 May 2010
The second unit of Luohe Company	300	29 May 2010
Total	<u>817</u>	

Preliminary projects

As at the date of this report, the Group's preliminary projects progressed smoothly. The two 1,000MW generating units of Shandong Laizhou Project were approved by the National Development and Reform Commission of the PRC (the "NDRC") on 19 January 2010. The 49.5MW wind power generating units of Yueliangshan Project in Xiji County, Ningxia and the 49.5MW wind power generating units of Phase III of Ningdong Wind Power Company were approved by the Development and Reform Commission of Ningxia Hui Autonomous Region on 1 March 2010 and 2 April 2010 respectively.

The following projects of the Group have obtained the “road slip” (i.e. preliminarily approval by NDRC or its local counterparts), and are subject to the official approval by the 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 generating unit of Phase III Project of Qingdao Company, 100MW wind power generating units of Phase II Project of Guyuan Wind Power Company, 100MW wind power generating units of Zhangjiakou Saibei Phase I Project, 49.5MW wind power generating units of Wengniuteqi Phase I Project and 49.5MW wind power generating units of Phase I of Caofeidian Offshore Project.

Construction in progress

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

Name of project under construction	Planned installed capacity
Lingwu Company Phase II Project	2 x 1,000MW generating units
Shandong Laizhou Project	2 x 1,000MW generating units
Lu’an Company	1 x 600MW generating unit
Luhua Company Project	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
Za-gunao Hydroelectric Company	168MW hydroelectric generating units
Kailu Wind Power Company	99MW wind power generating units
Kezuozhongqi Wind Power Company	49.5MW wind power generating units
Kangbao Wind Power Company	49.5MW wind power generating units
Yueliangshan Project in Xiji County, Ningxia	49.5MW wind power generating units
Ningdong Wind Power Company Phase III project	49.5MW wind power generating units
Total	<u><u>7,785MW</u></u>



MANAGEMENT DISCUSSION AND ANALYSIS

Macro economy and demand for electricity

According to the statistics of the National Bureau of Statistics of China, in the first half of 2010, the gross domestic product (“GDP”) of the PRC amounted to approximately RMB17,284 billion, representing an increase of 11.1% over the corresponding period in 2009 based on comparable prices. Power consumption of the whole society totalled 2,009.4 million MWh, representing an increase of approximately 21.57% over the corresponding period in 2009, of which the consumption by the primary, secondary and tertiary industries and by urban and rural residents represented an increase of approximately 5.61%, 24.24%, 16.19% and 13.93% over the corresponding period in 2009 respectively.

Turnover and profit

During the Period, turnover of the Group amounted to approximately RMB21,798 million, representing an increase of approximately 26.83% over the corresponding period in 2009. This was mainly due to the increase in the volume of electricity sold. Revenue generated from sale of electricity amounted to approximately RMB20,884 million, representing an increase of approximately 26.08% over the corresponding period in 2009. Revenue generated from sale of heat amounted to approximately RMB914 million, representing an increase of approximately 46.75% over the corresponding period in 2009.

During the Period, the Group’s operating profit amounted to approximately RMB1,248 million, representing a decrease of approximately 43.29% from the corresponding period in 2009. Profit attributable to equity shareholders of the Company amounted to approximately RMB26 million. Earnings per share was approximately RMB0.004.

Operating expenses

During the Period, the operating expenses of the Group amounted to approximately RMB20,550 million, representing an increase of approximately 37.13% over the corresponding period in 2009. This was mainly attributable to the growth in power generation and considerable hike in coal prices, which led to higher fuel costs of the Group.

During the Period, the fuel costs of the Group were approximately RMB15,616 million, which accounted for approximately 75.99% of the Group’s operating expenses, representing an increase of approximately 49.90% over the corresponding period in 2009. This was mainly due to the increase in power generation and the rise in coal prices.

During the Period, depreciation and amortization expenses of the Group amounted to approximately RMB2,269 million, representing an increase of approximately 11.30% over the corresponding period in 2009. This was mainly due to the commencement of operation of new generating units and the increase in depreciation cost upon the acquisition of new power generating enterprises.

During the Period, major overhaul expenses of the Group amounted to approximately RMB189 million, representing a decrease of approximately 28.72% from the corresponding period in 2009. This was mainly attributable to fewer units under overhaul as compared with the corresponding period last year.

During the Period, repair and maintenance expenses of the Group amounted to approximately RMB249 million, representing an increase of approximately 3.31% over the corresponding period in 2009.

During the Period, administrative expenses of the Group amounted to approximately RMB532 million, representing a decrease of approximately 0.15% from the corresponding period in 2009.

During the Period, other operating expenses of the Group amounted to approximately RMB796 million, representing an increase of approximately 41.49% over the corresponding period in 2009. This was mainly attributable to the higher cost of sale of electricity rights as a result of the price hike of coal.

Finance costs

During the Period, finance costs of the Group amounted to approximately RMB1,541 million, representing an increase of approximately 1.41% as compared with the corresponding period in 2009. This was mainly attributable to the capacity expansion of the Group leading to the increase in loans.

Pledge and mortgage of assets

As at 30 June 2010, the Company's subsidiaries, including Guang'an Company, Qingdao Company, Lingwu Company, Wuhu Company, Za-gunao Hydroelectric Company, Xinxiang Company, Suzhou Company and Pingshi Power 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 RMB13,338 million. In addition, the 75% equity interest held by the Company in Pingshi Power Company was pledged as security for repayment of the long term payables guaranteed by the Company.

On 30 June 2010, the generating units and relevant equipments of Pingshi Power Company were mortgaged to secure its loans amounting to RMB2,067 million.



Indebtedness

As at 30 June 2010, total borrowings of the Group amounted to approximately RMB73,750 million, of which loans denominated in US dollar and Euro dollar amounted to approximately US\$175 million and EUR16 million, respectively. The debt/assets ratio was approximately 81.68%. In addition, the balance of short-term debenture payables of the Group amounted to approximately RMB3,053 million and the medium-term notes payables amounted to approximately RMB2,975 million.

Details of other borrowings of the Group and the Company as at 30 June 2010 are set out in note 18 to the interim financial report (prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting”) of this report.

Contingent liabilities

As at 30 June 2010, Guang’an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to 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.

Cash and cash equivalents

As at 30 June 2010, the Group had cash and cash equivalents of approximately RMB1,779 million.

Safe operation

The Group’s units had been operating safely during the Period, thus maintaining its operational safety at a decent level. As at 30 June 2010, Tengzhou Company had achieved over 4,600 consecutive days of accident-free production; Qingdao Company and Zibo Company had achieved over 4,300 consecutive days of accident-free production; Weifang Company and Laicheng Plant had achieved over 3,800 consecutive days of accident-free production; Zouxian Plant had achieved over 3,500 consecutive days of accident-free production; Shiliquan Plant, Shijiazhuang Thermal Power Company and Hebei Hydropower Company had achieved over 2,200 consecutive days of accident-free production.

Energy saving and environmental protection

In 2010, the Group continued to strengthen its efforts on environmental protection and proactively built itself as a resource-conservation and environmental friendly enterprise. As at the date hereof, a total of 22,943MW generating units controlled by the Group were equipped with desulphurisation facilities. In addition, there was one project under desulphurisation technological renovation, which is expected to be put into operation in December 2010. By then, 99.5% of coal-fired generating units of the Group will be equipped with desulphurisation facilities.

Save as the information disclosed herein, information with respect to the Group's other matters as set out in paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") has not changed materially from that included in the Company's 2009 annual report.

BUSINESS OUTLOOK

To maintain stable and fast economic growth as well as to make structural adjustment are the major focus of China's economic development, both at present and in the near future. Meanwhile, China will actively promote development of low carbon economy, further intensify energy saving and emission reduction, proactively develop the renewable energy sources, and accelerate restructuring and integration of energy enterprises, which will provide vast space for the Group to speed up adjustment of its power source structure, regional structure and industrial structure.

The Group will further expand investment in wind power and coal sectors, and explore development opportunities for power generation business in the economically-developed coastal areas. Through the aforesaid adjustment of structure in three major fields, the Group will endeavour to maximize its profitability.

A tapering trend is expected for the growth of the country's power generation in the second half of the year. The power generation industry may still be afflicted by tight supply of coal while the movement of coal price remains uncertain. As for thermal power business, the Group will put more efforts in lowering unit fuel cost and enhancing marketing strategy. On the other hand, the Group will accelerate the investment and production in the non-thermal power industry, thus fostering new profit driver for the Group.



SIGNIFICANT EVENTS

(1) Change of employee representative supervisor

Ms. Zheng Feixue, an employee representative supervisor of the fifth Supervisory Committee of the Company, resigned as an employee representative supervisor due to work re-allocation. In accordance with laws, regulations and the Articles of Association, the employees of the Company democratically elected Mr. Chen Bin on 28 April 2010 to replace Ms. Zheng as an employee representative supervisor of the fifth Supervisory Committee of the Company for a term up to the expiry of the fifth Supervisory Committee.

For details, please refer to the announcement of the Company dated 28 April 2010.

(2) Acquisition of 84.31% equity interest in Century Power

On 28 April 2010, the Company entered into the Century Power Equity Transfer Agreement with Zhengda Energy Development (China) Company Limited* (“Zhengda Energy”), pursuant to which Zhengda Energy sold, and the Company purchased, 84.31% equity interests in Century Power on the terms and subject to the conditions of the Century Power Equity Transfer Agreement. Because any change of net assets during the period from the appraisal date to the transfer date shall be taken by the former shareholders, which led to the corresponding change in the actual consideration, the adjusted consideration of the transaction was RMB2,124 million.

For details, please refer to the announcement of the Company dated 28 April 2010.

(3) Acquisition of 100% equity interest in Pingshi Power

On 20 May 2010, the Company entered into the Pingshi Power Equity Transfer Agreement with Haiyue Power Investment Company Limited* (“Haiyue Power”) and Lechang City Jinda Power Company Limited* (“Jinda Power”), pursuant to which Haiyue Power and Jinda Power sold, and the Company purchased, 100% equity interest in Pingshi Power Company, as to 75% equity interest from Haiyue Power and 25% equity interest from Jinda Power, on the terms and subject to the conditions of the Pingshi Power Equity Transfer Agreement. In accordance with agreement, the adjusted consideration of the transaction was RMB656 million.

For details, please refer to the announcement of the Company dated 20 May 2010.

(4) Acquisition of equity interests in coal mines

Since 2010, the Group continued to intensify its investment in the coal industry, and acquired a 20% equity interest in Inner Mongolia Otog Front Banner Zhengtai Trading Company Limited* (Manghatu Coal Mine) held by Huashi Xiangtai Company at a consideration of RMB267.97 million and a 35% equity interest in Inner Mongolia Otog Front Banner Baihui Trading Company* (Heiliang Coal Mine) held by Ningxia Kuntai Mining Development Company Limited* at a consideration of RMB569.7237 million. The two acquisitions represented another strategic move of the Company to enter the Shanghaimiao mining area through acquisition of coal mine assets, having previously acquired a 35% equity interest in Inner Mongolia Fucheng Mining Company Limited* and a 25% equity interest in Inner Mongolia Ertuoqeqianqi Changcheng Mine Company Limited* in 2009, both of which are located in the Shanghaimiao mining area in Ordos, Inner Mongolia. The two acquisitions are of positive effect on the Company since they will enhance the Company’s strategic cooperation with Xinwen Mining Group Company Limited* in the Shanghaimiao mining area, extend the Group’s upstream industry chain and ensure the coal supply to the Company’s power plants.

For details, please refer to the announcements of the Company dated 10 August 2010 and 19 August 2010.



CONNECTED TRANSACTIONS

Connected transactions, as defined in the Listing Rules, entered into by the Company from the beginning of the year to the end of the reporting period are as follows:

(1) Purchase of equipment from Guodian Nanjing Automation Co., Ltd. (“SAC”)

On 3 March 2010, the Company entered into the Equipment Purchase Agreement with SAC, pursuant to which the Company will purchase and SAC will sell transducers, which are used in the 69 high voltage auxiliary machines of the 10 power generation enterprises wholly owned or controlled by the Company. SAC was chosen as the supplier for the relevant equipment under the Equipment Purchase Agreement through tender process which was conducted in compliance with the relevant laws in the PRC and the management rules of the Company. The aggregated consideration under the Equipment Purchase Agreement, determined by arm’s length negotiations, was RMB76,790,000.

For details, please refer to the announcement of the Company dated 3 March 2010.

(2) Project Contract entered into between Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited. (“Luhua Company”) and Huadian Engineering

On 3 March 2010, Luhua Company engaged Huadian Engineering (a non-wholly owned subsidiary of the Company) to provide certain services and perform certain works in respect of the construction of the Desulphurization System and the Pre-desalting Disposal System on the terms set out in the project contracts. The consideration under each project contract was agreed between the parties through a tender process which was conducted in compliance with the relevant laws in the PRC and the management rules of the Company. The total consideration under the project contracts was RMB41,400,000, which shall be funded by internal resources of Luhua Company.

For details, please refer to the announcement of the Company dated 3 March 2010.

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

On 27 April 2010, the Company and Huadian Coal entered into the Agreement, pursuant to which the Company engaged Huadian Coal to provide management and co-ordination services in relation to coal procurement in the PRC for a total service fee not exceeding RMB63 million for year 2010. The Company had entered into a similar coal procurement service agreement with Huadian Coal for year 2009.

For details, please refer to the announcement of the Company dated 27 April 2010.

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, each of the following persons, not being a director, supervisor, chief executive or members of senior management of the Company, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 30 June 2010 which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the “SFO”), or was otherwise, as at 30 June 2010, interested in 5% or more of any class of the then issued share capital of the Company, or was, as at 30 June 2010, a substantial shareholder (as defined in the Listing Rules) of the Company:

Name of shareholder	Class of shares	Number of shares held	Equity interest as at 30 June 2010		
			Approximate percentage of shareholding in the Company's total issued share capital	Approximate percentage of shareholding in the Company's total issued A shares	Approximate percentage of shareholding in the Company's total issued H shares
China Huadian	A shares	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%	—
Allianz SE (Note 2)	H shares	85,251,000 (L)	1.26%	—	5.95%

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



Notes:

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

Save as disclosed above and so far as the directors are aware, as at 30 June 2010, 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.

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

As at 30 June 2010, none of the directors, supervisors, chief executives or members of senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/or debenture certificates (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such director, supervisor, chief executive or members of senior management of the Company was taken or deemed to have under such provisions of the SFO) or was (ii) required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise (iii) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the directors of the Company).

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 30 June 2010, the Group’s deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material time deposits which could not be collected by the Group upon maturity.

MATERIAL LITIGATION

During the Period, the Group was not involved in any material litigation or arbitration.

AUDIT COMMITTEE

The unaudited interim financial statements for the Period prepared under International Accounting Standard 34 “Interim Financial Reporting” have been reviewed by the Company’s Audit Committee.

CORPORATE GOVERNANCE PRACTICES

The Company at all times attaches great importance to the corporate governance and continuously implement management innovation. In strict compliance with the Company Law of PRC, the Securities Law of PRC, the Rules Governing the Listing of Securities on the Shanghai Stock Exchange, the Listing Rules and relevant provisions promulgated by domestic and overseas securities regulatory institutions, the Company has improved the structure of corporate governance, enhanced the level of the Company’s governance and endeavoured to realize a harmonious development between the Company’s growth and the interest of its shareholders.

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



The Company has established and improved the standardized operating systems of the general meetings, boards of directors, supervisory committees of the Company and its subsidiaries. Independent directors, the Audit Committee and the supervisory committee have actively supervised the preparation of regular reports whereas non-executive directors and supervisors have performed their duties by carrying out annual review and the supervisory committee has advanced its supervisory duties. The Company has upheld transparency and compliance in standard information disclosures. In addition, trainings regarding corporate governance and standard operation were provided to the directors, supervisors and secretaries to the board of subsidiaries of the Company. In view of the relevant requirements of internal control, regular assessments on internal control of the Company were made accordingly.

The Board has reviewed the relevant requirements prescribed under the codes on corporate governance practices adopted by the Company and its actual operations, and has taken the view that the corporate governance practices adopted by the Company during the first half of 2010 have met the requirements under the code provisions in the Code on Corporate Governance Practices (the "Code") as contained in Appendix 14 to the Listing Rules and there was no deviation from such provisions. In certain aspects, the corporate governance practices adopted by the Company are more stringent than the code provisions set out in the Code. Major aspects of the Company's governance practices which are more stringent than the code provisions of the Code are set out as below:

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

- During the Period, a total of three Board meetings were held by the Company.
- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited by Directors (Supervisors) for the directors and supervisors of the Company and the Code on Trading in Securities of Huadian Power International Corporation Limited by Employees for its employees, which are on terms no less exacting than those set out in the Model Code set out in Appendix 10 to the Listing Rules.

- The Audit Committee comprises five members, including two non-executive directors and three independent non-executive directors. The Audit Committee is chaired by independent non-executive director, Mr. Yang Jinguan, and comprises four members including independent non-executive directors, Wang Yuesheng and Hao Shuchen, and non-executive directors, Chen Bin and Wang Yingli. The Audit Committee is mainly responsible for the communication between the Company's internal and external audit, supervision and examination while giving advice to the Board on audit, internal control and corporate governance.
- In addition to the Audit Committee and the Remuneration Committee, the Company has established its Strategic Committee and formulated Working Procedures for Strategic Committee. Its main duties include:
 1. studying and recommending on the strategic planning for the long-term development of the Company;
 2. studying and recommending on financing proposals in major investments requiring approval of the Board;
 3. studying and recommending on major production and operation projects requiring approval of the Board;
 4. studying and recommending on other significant events that impact on the development of the Company;
 5. monitoring the implementation of the above matters; and
 6. attending to other matters as requested by the Board.

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

As at the date of this report, the Board 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).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the six months ended 30 June 2010 (unaudited)

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Turnover	5	21,798,417	17,186,920
Operating expenses			
Fuel costs		(15,615,698)	(10,417,195)
Depreciation and amortisation		(2,269,263)	(2,038,811)
Major overhaul expenses		(188,997)	(265,132)
Repairs and maintenance expenses		(248,744)	(240,768)
Personnel costs		(807,691)	(779,335)
Administrative expenses		(531,526)	(532,331)
Sales related taxes		(91,949)	(149,146)
Other operating expenses		(796,061)	(562,610)
		(20,549,929)	(14,985,328)
Operating profit		1,248,488	2,201,592
Investment (loss)/income		(5,283)	12,259
Other net income		129,185	69,517
Finance income		10,150	11,043
Finance cost	6	(1,541,324)	(1,519,892)
Share of profits of associates		181,161	113,241
Share of profit of a jointly controlled entity		22,575	1,927
Profit before taxation	7	44,952	889,687
Income tax	8	(11,159)	(174,658)
Profit for the period		33,793	715,029

The notes on pages 30 to 55 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(CONTINUED)for the six months ended 30 June 2010 (unaudited)
(Expressed in Renminbi)

		Six months ended 30 June	
	<i>Note</i>	2010	2009
		RMB'000	RMB'000
Profit for the period		33,793	715,029
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale securities:			
net movement			
in fair value reserve	9	<u>(22,160)</u>	<u>34,386</u>
Total comprehensive income for the period		<u>11,633</u>	<u>749,415</u>
Profit attributable to:			
Equity shareholders of the Company		25,813	544,825
Non-controlling interests		<u>7,980</u>	<u>170,204</u>
Profit for the period		<u>33,793</u>	<u>715,029</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		4,169	578,233
Non-controlling interests		<u>7,464</u>	<u>171,182</u>
Total comprehensive income for the period		<u>11,633</u>	<u>749,415</u>
Basic and diluted earnings per share	10	<u>RMB 0.004</u>	<u>RMB 0.090</u>

The notes on pages 30 to 55 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET

as at 30 June 2010 (unaudited)
(Expressed in Renminbi)

		At 30 June 2010	At 31 December 2009
	<i>Note</i>	RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	11	75,011,378	65,502,601
Construction in progress	12	19,230,468	19,315,995
Lease prepayments		1,462,686	918,590
Intangible assets	13	1,825,944	1,126,784
Interest in associates		6,233,566	3,969,310
Interest in a jointly controlled entity		244,374	221,799
Other investments		310,709	636,830
Other non-current assets	14	2,177,006	1,722,896
Deferred tax assets		310,008	267,001
		106,806,139	93,681,806
Current assets			
Inventories		1,864,197	1,346,169
Trade debtors and bills receivable	15	3,566,840	3,583,226
Deposits, other receivables and prepayments		2,607,991	1,323,369
Tax recoverable		62,456	61,522
Restricted deposits	16	40,295	1,906
Cash and cash equivalents	17	1,779,295	1,241,900
		9,921,074	7,558,092

The notes on pages 30 to 55 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 30 June 2010 (unaudited)

(Expressed in Renminbi)

		At 30 June 2010	At 31 December 2009
	<i>Note</i>	RMB'000	RMB'000
Current liabilities			
Bank loans		18,595,314	16,458,921
Loans from shareholders		1,810,603	1,704,913
State loans		13,255	12,893
Other loans	18	5,122,388	3,180,549
Short-term debenture payables		3,052,506	3,002,923
Amount due to the holding company		70,290	75,190
Trade creditors and bills payable	19	7,942,484	5,078,569
Other payables	20	3,509,708	2,677,464
Tax payable		38,473	24,217
		<u>40,155,021</u>	<u>32,215,639</u>
Net current liabilities		<u>(30,233,947)</u>	<u>(24,657,547)</u>
Total assets less current liabilities carried forward		76,572,192	69,024,259

The notes on pages 30 to 55 form part of this interim financial report.

CONSOLIDATED BALANCE SHEET (CONTINUED)

as at 30 June 2010 (unaudited)
(Expressed in Renminbi)

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<i>Note</i>		
Total assets less current liabilities brought forward	76,572,192	69,024,259
Non-current liabilities		
Bank loans	41,053,174	36,561,599
Loans from shareholders	2,101,499	2,018,958
State loans	31,335	37,215
Other loans	5,022,656	3,821,577
Medium-term notes	2,975,482	2,971,022
Long-term payables	1,307,187	426,626
Deferred government grants	513,481	438,982
Deferred income	168,910	160,819
Deferred tax liabilities	2,008,506	1,282,303
	55,182,230	47,719,101
Net assets	21,389,962	21,305,158
Capital and reserves		
Share capital	6,771,084	6,771,084
Reserves	9,094,306	9,315,098
Total equity attributable to equity shareholders of the Company	15,865,390	16,086,182
Non-controlling interests	5,524,572	5,218,976
Total equity	21,389,962	21,305,158

The notes on pages 30 to 55 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 30 June 2010 (unaudited)
(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	Non-controlling interests	Total equity
			reserve	reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2009	6,021,084	1,909,474	1,404,520	68,089	44,726	(17,069)	1,995,491	11,426,315	4,510,465	15,936,780
Changes in equity for the six months ended 30 June 2009:										
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	115,920	115,920
Acquisition of non-controlling interests	—	—	—	—	—	—	—	—	(213,247)	(213,247)
Net loss on dilution of equity interest in subsidiaries	—	—	—	—	—	—	(8,248)	(8,248)	8,248	—
Contribution from the holding company	—	18,166	—	—	—	—	—	18,166	18,906	37,072
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	424,928	424,928
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(58,245)	(58,245)
Total comprehensive income for the period	—	—	—	—	—	33,408	544,825	578,233	171,182	749,415
Balance at 30 June 2009	6,021,084	1,927,640	1,404,520	68,089	44,726	16,339	2,532,068	12,014,466	4,978,157	16,992,623

The notes on pages 30 to 55 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

for the six months ended 30 June 2010 (unaudited)
(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	Non-controlling Total	Total equity	
			reserve	reserve	reserve	reserve	profits			interests
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 30 June 2009 and 1 July 2009	6,021,084	1,927,640	1,404,520	68,089	44,726	16,339	2,532,068	12,014,466	4,978,157	16,992,623
Changes in equity for the six months ended 31 December 2009:										
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	17,436	17,436
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(31,536)	(31,536)
Share issued	750,000	2,703,700	—	—	—	—	—	3,453,700	—	3,453,700
Appropriation	—	—	13,404	—	—	—	(13,404)	—	—	—
Total comprehensive income for the period	—	—	—	—	—	5,668	612,348	618,016	254,919	872,935
Balance at 31 December 2009	6,771,084	4,631,340	1,417,924	68,089	44,726	22,007	3,131,012	16,086,182	5,218,976	21,305,158

The notes on pages 30 to 55 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(CONTINUED)for the six months ended 30 June 2010 (unaudited)
(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	Non-controlling interests	Total equity
			reserve	reserve	reserve	reserve					
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2010	6,771,084	4,631,340	1,417,924	68,089	44,726	22,007	3,131,012	16,086,182	5,218,976	21,305,158	
Changes in equity for the six months ended 30 June 2010:											
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	64,470	64,470	
Acquisition of non-controlling interests	—	—	—	—	—	—	(9,353)	(9,353)	(36,503)	(45,856)	
Contribution from the holding company	—	21,380	—	—	—	—	—	21,380	651	22,031	
Acquisition of subsidiaries (note 26)	—	—	—	—	—	—	—	—	337,581	337,581	
Dividends approved for equity shareholders of the Company	—	—	—	—	—	—	(236,988)	(236,988)	—	(236,988)	
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(68,067)	(68,067)	
Total comprehensive income for the period	—	—	—	—	—	(21,644)	25,813	4,169	7,464	11,633	
Balance at 30 June 2010	6,771,084	4,652,720	1,417,924	68,089	44,726	363	2,910,484	15,865,390	5,524,572	21,389,962	

The notes on pages 30 to 55 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the six months ended 30 June 2010 (unaudited)**(Expressed in Renminbi)*

		Six months ended 30 June	
		2010	2009
	<i>Note</i>	RMB'000	RMB'000
Cash generated from operations		2,407,001	1,868,699
Tax paid		(67,971)	(46,112)
Net cash generated from operating activities		2,339,030	1,822,587
Net cash used in investing activities		(8,903,351)	(7,765,865)
Net cash generated from financing activities		7,101,716	6,058,890
Increase in cash and cash equivalents		537,395	115,612
Cash and cash equivalents at 1 January		1,241,900	1,869,305
Cash and cash equivalents at 30 June	16	1,779,295	1,984,917

The notes on pages 30 to 55 form part of this interim financial report.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1 Background

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

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

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, “*Interim financial reporting*”, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 26 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2010 annual financial statements. Details of these changes in accounting policies are set out in note 3.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2009 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the IASB. IFRSs include all applicable IFRSs, IASs and related interpretations.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

2 Basis of preparation (Continued)

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “*Review of interim financial information performed by the independent auditor of the entity*”, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 56 to 57.

The financial information relating to the financial year ended 31 December 2009 that is included in the interim financial report as being previously reported information does not constitute the Company’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2009 are available from the Company’s legal office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 26 March 2010.

3 Changes in accounting policies

The IASB has issued two revised IFRSs, a number of amendments to IFRSs and one new Interpretation 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 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Improvements to IFRSs (2009)

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

3 Changes in accounting policies (Continued)

These developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods, for the following reasons:

- The impact of the majority of the revisions to IFRS 3 and IAS 27 have not yet had a material effect on the Group's financial statements as these changes will first be effective as and when the Group enters into a relevant transaction (for example, a business combination or a disposal of a subsidiary) and there is no requirement to restate the amounts recorded in respect of previous such transactions.
- The impact of the amendments to IFRS 3 (in respect of recognition of acquiree's deferred tax assets) and IAS 27 (in respect of allocation of losses to non-controlling interests (previously known as minority interests) in excess of their equity interest) have had no material impact as there is no requirement to restate amounts recorded in previous periods and no such deferred tax assets or losses arose in the current period.
- The "Improvements to IFRSs (2009)" omnibus standard introduce a number of amendments to a range of IFRSs, which are either consistent with policies already adopted by the Group, or have had no material impact on the Group's financial statements.

Further details of these changes in accounting policies are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:
 - Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

3 Changes in accounting policies (Continued)

Further details of these changes in accounting policies are as follows (Continued):

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies (Continued):
 - If the group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
 - Contingent consideration will be measured at fair value at the acquisition date. Any subsequent changes in the measurement of that contingent consideration will be recognised in profit or loss, unless they arise from obtaining additional information about facts and circumstances that existed at the acquisition date within 12 months from the date of acquisition (in which case they will be recognised as an adjustment to the cost of the business combination). Previously, contingent consideration was recognised at the acquisition date only if payment of the contingent consideration was probable and it could be measured reliably. All subsequent changes in the measurement of contingent consideration and from its settlement were previously recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.
 - If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

3 Changes in accounting policies (Continued)

Further details of these changes in accounting policies are as follows (Continued):

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies (Continued):
 - In addition to the Group's existing policy of measuring the non-controlling interests (previously known as the "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the amendments to IAS 27, if the group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the group being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

In accordance with the transitional provisions in IAS 27, this new accounting policy will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

3 Changes in accounting policies (Continued)

Further details of these changes in accounting policies are as follows (Continued):

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, *Investments in associates*, and IAS 31, *Interests in joint ventures*, the following policies will be applied as from 1 January 2010:
 - If the group holds interests in the acquiree immediately prior to obtaining significant influence or joint control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence or joint control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
 - If the group loses significant influence or joint control, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

3 Changes in accounting policies (Continued)

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

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

4 Segment reporting

The Group principally has one reportable segment, which is the generation and sale of electricity and heat in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed.

5 Turnover

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Sale of electricity	20,883,986	16,563,803
Sale of heat	914,431	623,117
	21,798,417	17,186,920

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

6 Finance costs

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Interest on loans and other financial liabilities	1,889,966	1,809,797
Less: Interest capitalised	(320,425)	(298,555)
	1,569,541	1,511,242
Net foreign exchange gain	(31,364)	(681)
Other finance costs	3,147	9,331
	1,541,324	1,519,892

The interest costs have been capitalised at an average rate of 5.02% per annum (six months ended 30 June 2009: 5.40%) for construction in progress.

7 Profit before taxation

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Cost of inventories	16,106,146	11,387,019
Amortisation		
— lease prepayments	22,604	20,298
— intangible assets	3,422	638
Depreciation	2,243,237	2,017,875
Reversal of impairment loss on trade and other receivables	(6,362)	—
Operating lease charges in respect of land and buildings	48,698	23,589
Dividend income	(624)	(12,259)
Government grants included in other net income	(82,704)	(20,800)
Gain on disposal of property, plant and equipment	(799)	(464)
Research and development costs	100	1,475

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

8 Income tax

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Current tax		
Charge for the PRC enterprise income tax for the period	68,170	36,993
Under-provision in respect of previous years	932	2,546
	69,102	39,539
Deferred taxation		
Origination and reversal of temporary differences	(57,943)	135,119
	(57,943)	135,119
	11,159	174,658

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (six months ended 30 June 2009: 25%) on the estimated assessable profits of the Group for the six months ended 30 June 2010 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 preferential rates of 12.5% or 15%.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

9 Other comprehensive income

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Available-for-sale securities		
Changes in fair value recognised during the period	(27,014)	40,441
Reclassification adjustments for amounts transferred to profit or loss:		
— losses on disposal	—	600
Net deferred tax credit/(debited) to other comprehensive income	4,854	(6,655)
Net movement in the fair value reserve during the period recognised in other comprehensive income	<u>(22,160)</u>	<u>34,386</u>

10 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2010 of RMB25,813,000 (six months ended 30 June 2009: RMB544,825,000) and the number of shares in issue during the six months ended 30 June 2010 of 6,771,084,200 (six months ended 30 June 2009: 6,021,084,200).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2010 and 2009.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

11 Property, plant and equipment

During the six months ended 30 June 2010, the Group acquired items of property, plant and equipment of approximately RMB11,755 million (six months ended 30 June 2009: approximately RMB4,743 million), of which the portions acquired through transfer from construction in progress and through acquisition of subsidiaries were approximately RMB6,642 million (six months ended 30 June 2009: approximately RMB2,505 million) and RMB5,087 million (six months ended 30 June 2009: approximately RMB2,221 million), respectively. Items of property, plant and equipment with net book value of approximately RMB3 million (six months ended 30 June 2009: approximately RMB2 million) were disposed of during the six months ended 30 June 2010.

12 Construction in progress

The acquisition and transfer of items of construction in progress during the six months ended 30 June 2010 and 2009 are as follows:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Additions	5,379,567	5,292,788
Addition through acquisition of subsidiaries	1,177,320	51,931
Transfer to property, plant and equipment	<u>(6,642,414)</u>	<u>(2,504,735)</u>

13 Intangible assets

Intangible assets mainly represent goodwill arising from business combinations of RMB979 million (31 December 2009: RMB280 million) and land use rights of RMB835 million (31 December 2009: RMB835 million) assigned by the PRC's land bureau with indefinite land use period.

14 Other non-current assets

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

15 Trade debtors and bills receivable

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Trade debtors and bills receivable for sale of electricity	3,220,909	3,360,934
Trade debtors and bills receivable for sale of heat	371,518	252,961
Trade debtors and bills receivable for other operations	684	1,964
	<u>3,593,111</u>	<u>3,615,859</u>
Less: allowance for doubtful debts	<u>(26,271)</u>	<u>(32,633)</u>
	<u>3,566,840</u>	<u>3,583,226</u>

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

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Current	3,331,738	3,558,083
Less than 1 year past due	230,529	20,570
More than 3 years past due	4,573	4,573
Amount past due	<u>235,102</u>	<u>25,143</u>
	<u>3,566,840</u>	<u>3,583,226</u>

16 Restricted deposits

Restricted deposits mainly represent cash pledged as collateral for bills payable.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

17 Cash and cash equivalents

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Cash at bank and in hand	985,067	655,679
Cash at other financial institutions	744,135	482,369
Deposits with banks and other financial institutions	50,093	103,852
	<u>1,779,295</u>	<u>1,241,900</u>

18 Other loans

Other loans included loans from China Huadian Finance Corporation Limited ("China Huadian Finance") of RMB5,185,916,000 (31 December 2009: RMB4,177,756,000), China Huadian Group Capital Holdings Limited ("China Huadian Capital") of RMB 1,000,000,000 (31 December 2009: RMB Nil), and various trust companies of RMB3,506,530,000 (31 December 2009: RMB2,432,984,000).

All of the other loans are unsecured, except for amounts totalling of RMB460,990,000 (31 December 2009: RMB472,270,000) in respect of certain subsidiaries, which are secured by the income stream in respect of sale of electricity of these subsidiaries.

19 Trade creditors and bills payable

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

20 Other payables

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Quality guarantee deposits	1,057,339	1,084,219
Consideration payables on acquisitions	830,275	225,656
Dividend payables	295,846	—
Interest payables	174,709	225,166
Wages payable	162,995	219,284
Others	988,544	923,139
	<u>3,509,708</u>	<u>2,677,464</u>

Others mainly include payables on value added tax, sewage charges, rental and other miscellaneous items. Except for quality guarantee deposits of constructions, the Group does not have any individually significant payable items with ageing over one year.

21 Dividends

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

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: RMB Nil).

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

21 Dividends (Continued)

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

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Final dividend in respect of the previous financial year ended 31 December 2009, approved during the following interim period, of RMB0.035 per share (year ended 31 December 2008: RMB Nil per share)	236,988	—

No dividend was paid during the six months period ended 30 June 2010 (six months ended 30 June 2009: RMB Nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

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

- (a) The Group had capital commitments outstanding as at 30 June 2010 and 31 December 2009 not provided for as follows:

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
<hr/>		
Contracted for		
— Development of power plants	10,807,319	11,277,920
— Investments	1,702,970	2,565,499
— Improvement projects and others	436,533	76,262
	<hr/>	<hr/>
	12,946,822	13,919,681
	-----	-----
Authorised but not contracted for		
— Development of power plants	13,675,971	16,323,756
— Improvement projects and others	733,658	497,642
	<hr/>	<hr/>
	14,409,629	16,821,398
	-----	-----
	<hr/>	<hr/>
	27,356,451	30,741,079
	<hr/>	<hr/>

- (b) The Group did not have significant proportionate share of the jointly controlled entity's capital expenditure commitments at 30 June 2010 and 31 December 2009.

23 Contingent liabilities

At 30 June 2010, apart from guarantees provided by the Group as disclosed in note 24(a), the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB924,000,000 (31 December 2009: RMB1,007,200,000).

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

24 Material related party transactions

(a) Transactions with shareholders, fellow subsidiaries and associates

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

Name of related parties	Nature of relationship
China Huadian Corporation ("China Huadian")	A shareholder of the Company
Shandong International Trust Corporation	A shareholder of the Company
China Huadian Engineering (Group) Corporation and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Finance	An associate of the Group
China Huadian Capital	A fellow subsidiary of the Company
Huadian Coal Industry Group Company Limited	An associate of the Group
China Huadian Group New Energy Development Company Limited	An associate of the Group
CHD Power Plant Operation Company Limited	A fellow subsidiary of the Company
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	An associate of the Group
Ningxia Power Generation (Group) Company Limited	An associate of the Group
Huadian Tendering Co. Ltd	A fellow subsidiary of the Company
Beijing Anfu Real Estate Development Co. Ltd	A fellow subsidiary of the Company
Huadian Technology & Trade Co., Ltd.	A fellow subsidiary of the Company
Baoding Huacheng Residual Thermal Power Generation Company Limited	An associate of the Group
Xingtai Xingtai Thermal Power Company Limited	An associate of the Group
Hengshui Hengxing Power Generation Company Limited	An associate of the Group
Xingtai Guotai Power Generation Company Limited	An associate of the Group
Hebei Xibaipo Second Power Generation Company Limited	An associate of the Group
Linfen City Changfa Coal Coke Company Limited	An associate of the Group
Shijiazhuang Huadian Heat Company Limited	An associate of the Group

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

24 Material related party transactions (Continued)

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

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the six months ended 30 June 2010 and 2009:

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Construction costs and equipment costs paid and payable to fellow subsidiaries	27,758	128,509
Interest expenses paid to shareholders	95,310	66,920
Interest expenses paid to associates	112,475	101,207
Interest expenses paid to a fellow subsidiary	5,551	394
Interest income from an associate	5,837	7,270
Loans obtained from shareholders	1,022,541	1,007,927
Loans obtained from associates	2,370,000	1,740,000
Loans obtained from a fellow subsidiary	1,050,000	30,000
Loans repaid to shareholders	834,310	600,000
Loans repaid to associates	1,361,840	740,410
Loans repaid to a fellow subsidiary	50,000	—
Service fee paid to an associate	34,013	16,922
Agency fee paid to a fellow subsidiary	760	—
Properties rental and management fees payable to fellow subsidiaries	28,031	14,015
Sale of electricity rights to associates	76,038	70,329
Sale of heat to an associate	358,560	307,210
Purchase of electricity from associates	216,638	123,001

Interim Financial Report (International)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)***(Expressed in Renminbi)***24 Material related party transactions (Continued)****(a) Transactions with shareholders, fellow subsidiaries and associates (Continued)**

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Prepaid construction and equipment costs to fellow subsidiaries	68,994	46,271
Construction and equipment costs payable to fellow subsidiaries	(26,901)	(45,334)
Loans from shareholders	(3,912,102)	(3,723,871)
Loans from associates	(5,185,916)	(4,177,756)
Loans from a fellow subsidiary	(1,080,000)	(80,000)
Deposits with an associate	789,135	582,758
Trade receivables from associates	40,400	64,692
Trade creditors to associates	(51,885)	(1,301)
Other receivables from associates	46,957	—
Other payable to a shareholder	(68,780)	(68,780)

- (i) At 30 June 2010, Sichuan Guang'an Power Generation Company Limited, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB189,407,000 (31 December 2009: RMB189,407,000).
- (ii) At 30 June 2010, China Huadian provided guarantees to banks for loans granted to the Group amounting to RMB130,115,380 (31 December 2009: RMB160,767,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

24 Material related party transactions (Continued)

(b) Transactions with key management personnel

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

	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Salaries and other emoluments	376	377
Retirement benefits	217	214
Bonuses	1,321	1,227
	<u>1,914</u>	<u>1,818</u>

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 30 June 2010 and 31 December 2009, 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, affiliates and other organisations.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

24 Material related party transactions (Continued)

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

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

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

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

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:

	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
Sale of electricity to the grid	20,704,432	16,563,803
Interest expenses	1,319,928	1,154,446
Purchase of construction materials and receiving construction work service	6,208,704	4,865,724

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

24 Material related party transactions (Continued)

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

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

	At 30 June 2010 RMB'000	At 31 December 2009 RMB'000
Receivables from sale of electricity	3,203,870	3,342,667
Loans payable	(55,281,060)	(40,488,621)
Cash at bank	847,798	539,352
Prepayments	7,139,240	6,677,232
Trade creditors and other payables	(8,480,695)	(5,469,954)
Long-term payables	(917,902)	—

25 Comparative figures

Certain comparative figures have been adjusted to conform to current period's presentation.

26 Acquisition of subsidiaries

(a) Acquisition of Shandong Century Electric Power Development Corporation Limited ("Century Power")

On 1 May 2010, the Company acquired 84.31% equity interest of Century Power for a total consideration of RMB2,123,700,000.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

(Expressed in Renminbi)

26 Acquisition of subsidiaries (Continued)

(a) Acquisition of Shandong Century Electric Power Development Corporation Limited (“Century Power”) (Continued)

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

	Pre-acquisition carrying amounts <i>RMB'000</i>	Fair value adjustments <i>RMB'000</i>	Recognised values on acquisitions <i>RMB'000</i>
Trade debtors and other receivables	397,938	—	397,938
Inventories	89,941	—	89,941
Other investments	3,792	—	3,792
Investments in subsidiaries and Interests in associates	102,908	177,961	280,869
Property, plant and equipment and construction in progress	1,138,775	1,196,858	2,335,633
Lease prepayments	103,061	249,272	352,333
Intangible assets	797	817	1,614
Deferred tax assets	19,366	—	19,366
Cash and cash equivalents	128,692	—	128,692
Bank loans	(765,600)	—	(765,600)
Trade creditors and other payables	(292,492)	—	(292,492)
Deferred tax liabilities	(2,831)	(406,227)	(409,058)
Deferred government grants	(24,237)	—	(24,237)
Net identifiable assets and liabilities	<u>900,110</u>	<u>1,218,681</u>	2,118,791
Less: Non-controlling interests			(337,581)
Add: Goodwill			<u>342,490</u>
Consideration			<u><u>2,123,700</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)

(Expressed in Renminbi)

26 Acquisition of subsidiaries (Continued)

(a) Acquisition of Shandong Century Electric Power Development Corporation Limited (“Century Power”) (Continued)

The Group incurred acquisition-related costs of RMB1,450,000 relating to external legal fees and other professional and consulting fees, which have been included in administrative expenses.

The acquisition contributed turnover amounting to RMB332,260,000 and profit after tax amounting to RMB6,627,000 for the period ended 30 June 2010.

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

(b) Acquisition of Shaoguan Pingshi Power Plant Company Limited (B Plant) (“Pingshi Power”)

On 21 May 2010, the Company acquired 100% equity interest of Pingshi Power for a total consideration of RMB655,599,000.

Interim Financial Report (International)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)***(Expressed in Renminbi)***26 Acquisition of subsidiaries (Continued)****(b) Acquisition of Shaoguan Pingshi Power Plant Company Limited (B Plant) (“Pingshi Power”) (Continued)**

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

	Pre-acquisition carrying amounts <i>RMB'000</i>	Fair value adjustments <i>RMB'000</i>	Recognised values on acquisitions <i>RMB'000</i>
Trade debtors and other receivables	188,107	—	188,107
Inventories	37,823	—	37,823
Other investments	2,921	—	2,921
Property, plant and equipment and construction in progress	2,556,353	1,371,898	3,928,251
Lease prepayments	125,464	53,306	178,770
Cash and cash equivalents	34,446	—	34,446
Bank loans	(2,466,000)	—	(2,466,000)
Trade creditors and other payables	(324,817)	—	(324,817)
Long-term payables	(923,902)	—	(923,902)
Deferred tax liabilities	—	(356,301)	(356,301)
	<u>(769,605)</u>	<u>1,068,903</u>	
Net identifiable assets and liabilities			299,298
Add: Goodwill			<u>356,301</u>
Consideration			<u>655,599</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)

(Expressed in Renminbi)

26 Acquisition of subsidiaries (Continued)

(b) Acquisition of Shaoguan Pingshi Power Plant Company Limited (B Plant) (“Pingshi Power”) (Continued)

The Group incurred acquisition-related costs of RMB900,000 relating to external legal fees and other professional and consulting fees, which have been included in administrative expenses.

The acquisition contributed turnover amounting to RMB126,576,000 and loss amounting to RMB5,778,000 for the period ended 30 June 2010.

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

27 Accounting judgements and estimates

The Group believes that the critical accounting judgements and estimates on impairment for non-current assets, depreciation, impairment for bad and doubtful debts, deferred tax assets and useful life of land use rights as disclosed in the 2009 annual financial statements are material to an understanding of the current interim period.

Interim Financial Report (International)

REVIEW REPORT TO THE BOARD OF DIRECTORS OF HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Introduction

We have reviewed the interim financial report set out on pages 21 to 55 which comprises the consolidated balance sheet of Huadian Power International Corporation Limited as at 30 June 2010 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim financial reporting” issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 “Interim financial reporting”.

KPMG

Certified Public Accountants

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

26 August 2010

Interim Financial Report (PRC)

CONSOLIDATED BALANCE SHEET (UNAUDITED)

30 June 2010

(Expressed in Renminbi'000)

Item	Note	30 June 2010	31 December 2009
Current assets:			
Cash at bank and on hand	V. 1	1,819,590	1,243,806
Bills receivable	V. 2	105,164	324,616
Trade receivables	V. 3	3,461,676	3,258,610
Prepayments	V. 5	1,034,957	482,153
Other receivables	V. 4	585,584	241,991
Inventories	V. 6	1,864,197	1,346,169
Other current assets	V. 7	1,049,906	660,747
		9,921,074	7,558,092
Total current assets			
Non-current assets:			
Available-for-sale financial assets	V. 8	49,799	58,288
Long-term equity investments	V. 9	6,721,866	4,739,637
Fixed assets	V. 10	73,283,028	63,763,462
Construction in progress	V. 11	11,850,154	12,570,492
Construction materials	V. 12	172,083	22,000
Construction and construction material prepayments		7,208,231	6,723,503
Intangible assets	V. 13	3,474,925	2,926,488
Goodwill	V. 14	806,477	107,686
Deferred tax assets	V. 15	344,632	285,257
Other non-current assets	V. 16	2,177,006	1,722,896
		106,088,201	92,919,709
Total non-current assets			
		116,009,275	100,477,801
Total assets			

The notes on pages 78 to 236 form part of these financial statements.

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)

30 June 2010

(Expressed in Renminbi'000)

Item	Note	30 June 2010	31 December 2009
Current liabilities:			
Short-term loans	V. 19	20,472,018	16,793,380
Bills payable	V. 20	2,024,672	1,357,201
Trade payables	V. 21	5,917,812	3,721,368
Advances from customers	V. 22	25,738	82,077
Wages payable	V. 23	162,995	219,284
Taxes payable	V. 24	242,937	266,928
Interests payable	V. 25	174,709	225,166
Dividends payable		295,846	—
Other payables	V. 26	2,716,246	1,983,416
Short-term debenture payables	V. 27	3,052,506	3,002,923
Long-term loans due within one year	V. 28	5,069,542	4,563,896
Total current liabilities		40,155,021	32,215,639
Non-current liabilities:			
Long-term loans	V. 29	48,208,664	42,439,349
Debentures payable	V. 30	2,975,482	2,971,022
Long-term payables	V. 31	1,307,187	426,626
Special payables		29,220	29,220
Deferred tax liabilities	V. 15	1,895,039	1,145,797
Other non-current liabilities		489,732	405,048
Total non-current liabilities		54,905,324	47,417,062
Total liabilities		95,060,345	79,632,701

The notes on pages 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

CONSOLIDATED BALANCE SHEET (UNAUDITED) (CONTINUED)

30 June 2010

(Expressed in Renminbi'000)

Item	Note	30 June 2010	31 December 2009
Shareholders' equity:			
Share capital	V. 32	6,771,084	6,771,084
Capital reserve	V. 33	4,251,064	4,258,129
Surplus reserve	V. 34	1,486,013	1,486,013
Retained profits	V. 35	2,984,851	3,186,480
Total equity attributable to equity shareholders of the Company		15,493,012	15,701,706
Minority interests		5,455,918	5,143,394
Total shareholders' equity		20,948,930	20,845,100
Total liabilities and shareholders' equity		116,009,275	100,477,801

These financial statements have been approved by the Board of Directors on 26 August 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 78 to 236 form part of these financial statements.

BALANCE SHEET (UNAUDITED)

30 June 2010

(Expressed in Renminbi'000)

Item	Note	30 June 2010	31 December 2009
Current assets:			
Cash at bank and on hand		325,634	193,186
Bills receivable		—	1,581
Trade receivables	XI. 1	724,102	550,287
Prepayments		286,490	86,213
Dividends receivable		2,047	—
Other receivables	XI. 2	1,149,878	627,402
Inventories		341,980	288,298
Other current assets		70,974	43,265
Total current assets		2,901,105	1,790,232
Non-current assets:			
Long-term equity investments	XI. 3	24,032,100	19,284,079
Fixed assets		8,615,752	9,018,696
Construction in progress		843,014	767,835
Construction and construction material prepayments		942,591	808,165
Intangible assets		151,326	158,710
Goodwill		12,111	12,111
Other non-current assets		579,853	439,043
Total non-current assets		35,176,747	30,488,639
Total assets		38,077,852	32,278,871

The notes on pages 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

BALANCE SHEET (UNAUDITED) (CONTINUED)

30 June 2010

(Expressed in Renminbi'000)

Item	Note	30 June 2010	31 December 2009
Current liabilities:			
Short-term loans		8,879,353	5,381,093
Bills payable		1,374,798	884,014
Trade payables		209,718	187,991
Advances from customers		1,800	11,162
Wages payable		10,447	36,910
Taxes payable		35,885	58,347
Interests payable		51,000	102,045
Dividends payable		236,988	—
Other payables		1,177,126	585,941
Short-term debenture payables		3,052,506	3,002,923
Long-term loans due within one year		1,126,455	817,002
Total current liabilities		16,156,076	11,067,428
Non-current liabilities:			
Long-term loans		4,055,438	3,099,915
Debentures payable		2,975,482	2,971,022
Special payables		6,500	6,500
Deferred tax liabilities		47,024	40,000
Other non-current liabilities		19,545	19,998
Total non-current liabilities		7,103,989	6,137,435
Total liabilities		23,260,065	17,204,863

The notes on pages 78 to 236 form part of these financial statements.

BALANCE SHEET (UNAUDITED) (CONTINUED)

30 June 2010

(Expressed in Renminbi'000)

Item	Note	30 June 2010	31 December 2009
Shareholders' equity:			
Share capital		6,771,084	6,771,084
Capital reserve		4,222,961	4,208,451
Surplus reserve		1,486,013	1,486,013
Retained profits		2,337,729	2,608,460
Total shareholders' equity		14,817,787	15,074,008
Total liabilities and shareholders' equity		38,077,852	32,278,871

These financial statements have been approved by the Board of Directors on 26 August 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 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

CONSOLIDATED INCOME STATEMENT (UNAUDITED)

for the six months ended 30 June 2010

(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
I. Operating income	V. 36	21,868,629	17,288,305
II. Operating costs	V. 36	(19,919,365)	(14,328,992)
Sales taxes and surcharges	V. 37	(93,628)	(151,283)
Administrative expenses		(566,142)	(550,270)
Finance expenses	V. 38	(1,531,174)	(1,508,849)
Impairment losses	V. 40	6,362	—
Add: Investment income	V. 39	211,483	127,427
Including: income from associates and jointly controlled entity		203,736	115,168
III. Operating (loss)/profit		(23,835)	876,338
Add: Non-operating income	V. 41	92,240	26,112
Less: Non-operating expenses	V. 42	(1,452)	(3,871)
IV. Total profit		66,953	898,579
Less: Income tax	V. 43	(17,830)	(178,025)
V. Net profit		49,123	720,554
Attributable to:			
Equity shareholders of the Company		35,359	545,586
Minority interests		13,764	174,968

The notes on pages 78 to 236 form part of these financial statements.

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
(CONTINUED)

for the six months ended 30 June 2010
 (Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
VI. Earnings per share (RMB):			
Basic earnings per share	V. 44	<u>0.005</u>	<u>0.091</u>
Diluted earnings per share	V. 44	<u>0.005</u>	<u>0.091</u>
VII. Other comprehensive income	V. 45	<u>(22,160)</u>	<u>34,386</u>
VIII. Total comprehensive income		<u>26,963</u>	<u>754,940</u>
Attributable to:			
Equity shareholders of the Company		13,715	578,994
Minority interests		13,248	175,946

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

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The notes on pages 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

INCOME STATEMENT (UNAUDITED)

for the six months ended 30 June 2010

(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
I. Operating income	XI. 4	4,340,024	3,319,402
II. Operating costs	XI. 4	(4,048,732)	(2,896,847)
Sales taxes and surcharges		(27,813)	(31,111)
Administrative expenses		(194,456)	(163,913)
Finance expenses		(360,741)	(273,231)
Add: Investment income	XI. 5	258,862	161,737
Including: income from associates and jointly controlled entity		153,004	33,617
III. Operating (loss)/profit		(32,856)	116,037
Add: Non-operating income		6,517	23
Less: Non-operating expenses		(381)	(166)
IV. Total (loss)/profit		(26,720)	115,894
Less: Income tax		(7,023)	—
V. Net (loss)/profit		(33,743)	115,894
VI. Other comprehensive income		(6,173)	11,703
VII. Total comprehensive income		(39,916)	127,597

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

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The notes on pages 78 to 236 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30 June 2010

(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
I. Cash flow from operating activities:			
Cash received from sale of goods and rendering of services		25,508,418	18,810,512
Refund of taxes		6,423	5,085
Other cash received relating to operating activities	V. 46(1)	107,284	145,060
Sub-total of cash inflow from operating activities		25,622,125	18,960,657
Cash paid for goods and services		(18,818,879)	(12,483,571)
Cash paid to and for employees		(891,111)	(793,213)
Cash paid for all types of taxes		(1,245,772)	(1,680,163)
Other cash paid relating to operating activities	V. 46(2)	(484,329)	(286,194)
Sub-total of cash outflow from operating activities		(21,440,091)	(15,243,141)
Net cash inflow from operating activities	V. 47(1)	4,182,034	3,717,516

The notes on pages 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
(CONTINUED)for the six months ended 30 June 2010
(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
II. Cash flow from investing activities:			
Cash received from disposal of investments		11,700	—
Cash received from return on investments		130,839	81,206
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,441	432
Other cash received relating to investing activities	V. 46(3)	11,197	11,055
Sub-total of cash inflow from investing activities		155,177	92,693
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(4,891,109)	(5,383,932)
Cash paid for acquisition of investments		(2,172,889)	(929,610)
Cash paid for acquisition of subsidiaries	V. 47(2)	(1,986,862)	(1,542,927)
Other cash paid relating to investing activities	V. 46(4)	(7,668)	(2,089)
Sub-total of cash outflow from investing activities		(9,058,528)	(7,858,558)
Net cash outflow from investing activities		(8,903,351)	(7,765,865)

The notes on pages 78 to 236 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(CONTINUED)

for the six months ended 30 June 2010
(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
III. Cash flow from financing activities:			
Cash received from investors		26,692	13,760
Including: cash received from minority shareholders of subsidiaries		26,692	13,760
Cash received from borrowings		27,132,809	24,740,378
Decrease in guarantee deposits of bank acceptance bills		3,406	5,191
Other cash received relating to financing activities	V. 46(5)	400,124	512,975
Sub-total of cash inflow from financing activities		27,563,031	25,272,304
Cash repayments of borrowings		(20,027,568)	(18,735,083)
Cash paid for dividends, profits distribution or interest		(1,867,043)	(1,900,661)
Including: dividends and profits paid to minority shareholders of subsidiaries		(24,039)	(5,732)
Increase in guarantee deposits of bank acceptance bills		(40,095)	(2,697)
Other cash paid relating to financing activities	V. 46(6)	(369,613)	(469,902)
Sub-total of cash outflow from financing activities		(22,304,319)	(21,108,343)
Net cash inflow from financing activities		5,258,712	4,163,961

The notes on pages 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)
(CONTINUED)

for the six months ended 30 June 2010
 (Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
IV. Net increase in cash and cash equivalents	V. 47(1)	537,395	115,612
Add: Cash and cash equivalents at the beginning of the period		1,241,900	1,869,305
V. Cash and cash equivalents at the end of the period		1,779,295	1,984,917

These financial statements have been approved by the Board of Directors on 26 August 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 78 to 236 form part of these financial statements.

CASH FLOW STATEMENT (UNAUDITED)

for the six months ended 30 June 2010

(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
I. Cash flow from operating activities:			
Cash received from sale of goods and rendering of services		4,866,407	3,579,331
Other cash received relating to operating activities		<u>43,977</u>	<u>66,372</u>
Sub-total of cash inflow from operating activities		<u>4,910,384</u>	<u>3,645,703</u>
Cash paid for goods and services		(3,587,126)	(2,677,449)
Cash paid to and for employees		(271,497)	(229,701)
Cash paid for all types of taxes		(326,204)	(325,753)
Other cash paid relating to operating activities		<u>(255,827)</u>	<u>(230,388)</u>
Sub-total of cash outflow from operating activities		<u>(4,440,654)</u>	<u>(3,463,291)</u>
Net cash inflow from operating activities	XI. 6	<u>469,730</u>	<u>182,412</u>

The notes on pages 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

CASH FLOW STATEMENT (UNAUDITED) (CONTINUED)

for the six months ended 30 June 2010

(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
II. Cash flow from investing activities:			
Cash received from disposal of investments		—	150,000
Cash received from return on investments		58,063	55,436
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,195	—
Other cash received relating to investing activities		2,608	2,583
Sub-total of cash inflow from investing activities		61,866	208,019
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(287,394)	(432,145)
Cash paid for acquisitions of investments		(1,949,209)	(1,372,085)
Cash paid for acquisitions of subsidiaries		(2,150,000)	(1,206,073)
Other cash paid relating to investing activities		(409,910)	(1,288)
Sub-total of cash outflow from investing activities		(4,796,513)	(3,011,591)
Net cash outflow from investing activities		(4,734,647)	(2,803,572)

The notes on pages 78 to 236 form part of these financial statements.

CASH FLOW STATEMENT (UNAUDITED) (CONTINUED)

for the six months ended 30 June 2010
(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June	
		2010	2009
III. Cash flow from financing activities:			
Cash received from borrowings		11,705,890	10,988,964
Other cash received relating to financing activities		—	232
		<u>11,705,890</u>	<u>10,989,196</u>
Sub-total of cash inflow from financing activities		<u>11,705,890</u>	<u>10,989,196</u>
Cash repayments of borrowings		(6,917,962)	(8,034,147)
Cash paid for dividends, profits distribution or interest		(362,727)	(383,135)
Other cash paid relating to financing activities		(27,836)	(60,458)
		<u>(7,308,525)</u>	<u>(8,477,740)</u>
Sub-total of cash outflow from financing activities		<u>(7,308,525)</u>	<u>(8,477,740)</u>
Net cash inflow from financing activities		<u>4,397,365</u>	<u>2,511,456</u>
IV. Net increase/(decrease) in cash and cash equivalents	XI. 6	132,448	(109,704)
Add: Cash and cash equivalents at the beginning of the period		<u>193,186</u>	<u>780,288</u>
V. Cash and cash equivalents at the end of the period		<u>325,634</u>	<u>670,584</u>

These financial statements have been approved by the Board of Directors on 26 August 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 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**for the six months ended 30 June 2010
(Expressed in Renminbi'000)

Item	Note	Six months ended 30 June 2010					
		Attributable to shareholders' equity of the Company					Total equity
		Share capital	Capital reserve	Surplus reserve	Retained profits	Minority interests	
I. Balance at 31 December 2009		6,771,084	4,258,129	1,486,013	3,169,574	5,160,300	20,845,100
Add: Changes in accounting policies		—	—	—	16,906	(16,906)	—
II. Balance at 1 January 2010		6,771,084	4,258,129	1,486,013	3,186,480	5,143,394	20,845,100
III. Changes in equity for the period							
(I) Net profit		—	—	—	35,359	13,764	49,123
(II) Other comprehensive income		—	(21,644)	—	—	(516)	(22,160)
Sub-total of (I)&(II)		—	(21,644)	—	35,359	13,248	26,963
(III) Acquisition of minority interests		—	(9,353)	—	—	(36,503)	(45,856)
(IV) Capital injection from minority shareholders to subsidiaries		—	—	—	—	64,470	64,470
(V) Acquisition of subsidiaries		—	—	—	—	337,581	337,581
(VIII) Distributions to shareholders	V. 35	—	—	—	(236,988)	(68,067)	(305,055)
(VIII) Fair value adjustment of interest free loans granted by China Huadian Corporation		—	21,380	—	—	651	22,031
(VIII) Capital contribution by the State		—	2,552	—	—	1,144	3,696
IV. Closing balance of the period		<u>6,771,084</u>	<u>4,251,064</u>	<u>1,486,013</u>	<u>2,984,851</u>	<u>5,455,918</u>	<u>20,948,930</u>

The notes on pages 78 to 236 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED) (CONTINUED)
for the six months ended 30 June 2010
(Expressed in Renminbi'000)

Item	Six months ended 30 June 2009					
	Attributable to shareholders' equity of the Company					Total equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	Minority interests	
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
Add: Changes in accounting policies	—	—	—	28,754	(28,754)	—
II. Balance at 1 January 2009	6,021,084	1,503,793	1,472,609	2,049,304	4,416,103	15,462,893
III. Changes in equity for the period						
(I) Net profit	—	—	—	545,586	174,968	720,554
(II) Other comprehensive income	—	33,408	—	—	978	34,386
Sub-total	—	33,408	—	545,586	175,946	754,940
(III) Capital injection from minority shareholders to subsidiaries	—	—	—	—	115,920	115,920
(IV) Acquisition/disposal of minority interests	—	(8,248)	—	—	(204,999)	(213,247)
(V) Acquisition of subsidiaries	—	—	—	—	424,928	424,928
(VI) Distributions to shareholders of subsidiaries	—	—	—	—	(58,245)	(58,245)
(VII) Fair value adjustment of interest free loans granted by China Huadian Corporation	—	18,166	—	—	18,906	37,072
IV. Closing balance of the period	<u>6,021,084</u>	<u>1,547,119</u>	<u>1,472,609</u>	<u>2,594,890</u>	<u>4,888,559</u>	<u>16,524,261</u>

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

Yun Gongmin
Legal representative

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accounting department*

The notes on pages 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

for the six months ended 30 June 2010

(Expressed in Renminbi'000)

Item	Six months ended 30 June 2010				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
I. Balance at 31 December 2009/ 1 January 2010	6,771,084	4,208,451	1,486,013	2,608,460	15,074,008
II. Changes in equity for the period					
(I) Net loss	—	—	—	(33,743)	(33,743)
(II) Other comprehensive income	—	(6,173)	—	—	(6,173)
Sub-total	—	(6,173)	—	(33,743)	(39,916)
(III) Distributions to shareholders	—	—	—	(236,988)	(236,988)
(IV) Fair value adjustment of interest free loans granted by China Huadian Corporation	—	20,683	—	—	20,683
III. Closing balance of the period	<u>6,771,084</u>	<u>4,222,961</u>	<u>1,486,013</u>	<u>2,337,729</u>	<u>14,817,787</u>

The notes on pages 78 to 236 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(CONTINUED)

for the six months ended 30 June 2010
 (Expressed in Renminbi'000)

Item	Six months ended 30 June 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 period					
(I) Net profit	—	—	—	115,894	115,894
(II) Other comprehensive income	—	11,703	—	—	11,703
Sub-total	—	11,703	—	115,894	127,597
III. Closing balance of the period	<u>6,021,084</u>	<u>1,501,199</u>	<u>1,472,609</u>	<u>2,603,719</u>	<u>11,598,611</u>

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

Yun Gongmin
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The notes on pages 78 to 236 form part of these financial statements.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

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).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

I. Company status (Continued)

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB 1 each. As a result, the registered capital of the Company was increased to 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. On 18 June 2010, the Company obtained a new business licence for body corporate regarding the new registered capital.

Interim Financial Report (PRC)

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

I. Company status (Continued)

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

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

II. Significant accounting policies and accounting estimates

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.

3 Accounting period

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

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.

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

II. Significant accounting policies and accounting estimates **(Continued)**

5 Accounting treatments for a business combination involving entities under and those not under common control **(Continued)**

- (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. If the aggregate of the assets paid by the Group as the acquirer in exchange for control of the acquiree given (including the holding interests in the acquiree prior to acquisition date) and the fair value of liabilities incurred or assumed at the acquisition date is larger than the fair value of the acquiree's identifiable net assets the excess amount, is recorded as goodwill (see Note II. 17). On the contrary, the excess amount is recognised in the income statements. Transaction costs that the Group incurs in connection with a business combination are expensed as incurred. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

6 Preparation of consolidated financial statements (Continued)

Where a subsidiary was acquired during the reporting period, through a business combination involving entities under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the 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.

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.

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

II. Significant accounting policies and accounting estimates **(Continued)**

6 Preparation of consolidated financial statements (Continued)

Where losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' interest in the equity of the subsidiary at the beginning of the period, the excess are allocated against the minority shareholders interest.

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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

8 Translation of foreign currency transactions (Continued)

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:

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

9 Financial instruments (Continued)

(1) Classification, recognition and measurement of financial assets and financial liabilities (Continued)

- 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.

- 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

9 Financial instruments (Continued)

- (1) Classification, recognition and measurement of financial assets and financial liabilities *(Continued)*

— 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)).

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

9 Financial instruments (Continued)

- (1) Classification, recognition and measurement of financial assets and financial liabilities (Continued)

— 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 (UNAUDITED)
(CONTINUED)

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.

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

II. Significant accounting policies and accounting estimates **(Continued)**

9 Financial instruments (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

9 Financial instruments (Continued)

(4) Impairment of financial assets *(Continued)*

— 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.

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

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 gas, fuel oil, stalk, materials, components and spare parts.

(2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

11 Inventories (Continued)

- (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.

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

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 aggregate of the fair value at the acquisition date of assets given, liabilities incurred or assumed, if not involving step-up transaction.
 - (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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

12 Long-term equity investments (Continued)

(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.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

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 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.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

12 Long-term equity investments (Continued)

(2) Subsequent measurement (Continued)

(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.

(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;

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

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 *(Continued)*

- 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.

Interim Financial Report (PRC)

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

II. Significant accounting policies and accounting estimates **(Continued)**

12 Long-term equity investments (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

13 Fixed assets (Continued)

(1) Recognition (Continued)

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.

(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	5-25	3-5	3.8-19.4
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.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

13 Fixed assets (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

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.
- 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.

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

II. Significant accounting policies and accounting estimates **(Continued)**

15 Borrowing costs (Continued)

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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

16 Intangible assets (Continued)

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.

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

II. Significant accounting policies and accounting estimates **(Continued)**

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
- 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

18 Impairment of assets other than inventories, financial assets
and other long-term investments (Continued)

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.

Interim Financial Report (PRC)

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

II. Significant accounting policies and accounting estimates **(Continued)**

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.

(3) Interest income

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

20 Revenue recognition (Continued)

(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.

Interim Financial Report (PRC)

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

II. Significant accounting policies and accounting estimates **(Continued)**

21 Employee benefits (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

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.

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.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

23 Deferred tax assets and liabilities (Continued)

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 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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

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;
- (h) principal individual investors and close family members of such individuals;

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

26 Related parties (Continued)

- (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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

26 Related parties (Continued)

- (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.

Interim Financial Report (PRC)

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

II. Significant accounting policies and accounting estimates (Continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

28 Significant accounting estimates and judgments (Continued)

- (2) Impairment of other assets excluding inventories, financial assets and other long-term equity investments *(Continued)*

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.

Interim Financial Report (PRC)

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

II. Significant accounting policies and accounting estimates **(Continued)**

28 Significant accounting estimates and judgments (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

29 Changes in significant accounting policies

In accordance with CAS Bulletin No.4 and the Notice on preparing 2010 annual reports of listed, 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 RMB'000	
				Six months ended 30 June 2010	
				The Group	The Company
The change of accounting treatment of the acquirer account for any cost directly attributable to the business combination in business combinations involving enterprises not under common control	(1)	As to the changes based on the regulations newly issued by the Ministry of Finance, no internal approval	Administrative expenses	2,350	2,350
			Goodwill Long-term investment	(2,350) —	— (2,350)

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

II. Significant accounting policies and accounting estimates (Continued)

29 Changes in significant accounting policies (Continued)

Description of and reasons for changes in accounting policies	Note	Approval procedure	Affected items in the financial statements	Amounts of adjustments (RMB'000) for 2009 and prior years The Group
In consolidated financial statement, losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholder' interest in the equity of the subsidiary	(2)	As to the changes based on the regulations newly issued by the Ministry of Finance, no internal approval	Net profit attributable to equity shareholders, Minority interests, The opening balance of equity attributable to equity shareholders, The opening balance of Minority interests	(11,848) 11,848 28,754 (28,754)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

II. Significant accounting policies and accounting estimates
(Continued)

29 Changes in significant accounting policies (Continued)

Notes:

- (1) The change of accounting treatment of the acquirer account for any cost directly attributable to the business combination in business combinations involving enterprises not under common control

Previously, the acquirer account for any cost directly attributable to the business combination as cost of a business combination. Starting from 1 January 2010, in business combinations involving enterprises not under common control, the acquirer should account for any cost directly attributable to the business combination as expenses in the periods in which the costs are incurred.

In accordance with CAS Bulletin No.4, no retroactive adjustment is made by the Group for the above change of accounting policy.

- (2) In consolidated financial statement, losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholder' interest in of the equity of the subsidiary

Previously, in consolidated financial statement, where losses attributable to the minority shareholders of a subsidiary exceeds the minority shareholder' interest in the equity of the subsidiary, the excess, and any further losses attributable to the minority shareholder, are allocated against the equity attributable to the Company except to the extent that the minority shareholder have a binding obligation under the articles of association or an agreement and are able to make additional investment to cover the losses. Starting from 1 January 2010, the excess are allocated against the equity attributable to the minority shareholders.

The Group made retroactive adjustment on changes in accounting policies above.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

III. Taxation

1 Main types of taxes and corresponding rates

Tax Name	Tax basis	Tax rate
VAT	Output VAT is calculated on product	
— Sales of electricity	sales, based on tax laws. The	17%
— Sales of heat	remaining balance of output VAT, after subtracting the deductible input VAT of the period, is VAT payable.	13%
City maintenance and construction tax	Based on VAT payable	1-7%
Education surcharge	Based on VAT payable	3-5%
Enterprise income tax ("EIT") (Note (1))	Based on taxable profits	0-25%

Note:

- (1) The income tax rate applicable to the Company and each of its subsidiaries for the year is 25% (2009: 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"), Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company"), Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company") and Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company") for which preferential tax rates apply.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

III. Taxation (Continued)

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	12.5%	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))
Kailu Wind Power Company	—	Major public infrastructure project supported by the State (Note (3))
Guyuan Wind Power Company	—	Major public infrastructure project supported by the State (Note (3))

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 2009 and 2010 had been reduced to 15%.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

III. Taxation (Continued)

2 Tax preferential and approval notice (Continued)

Notes (Continued):

- (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, Laizhou State Administration of Taxation of Shandong Province, Kailu State Administration of Taxation of the Inner Mongolia Autonomous Region and Hebei Guyuan Administration of Taxation, Ningdong 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; 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; Kailu Wind Power Company are exempted from EIT for the years 2010 to 2012, and entitled to a 50% reduction in EIT based on the prevailing applicable tax rate for the years 2013 to 2015; Guyuan Wind Power Company are exempted from EIT for the years 2010 to 2012, and entitled to a 50% reduction in EIT based on the prevailing applicable tax rate for the years 2013 to 2015.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

IV. Business combinations and the consolidated financial statements

1 Background of major subsidiaries

(1) Subsidiaries acquired through establishment or investment

Name of subsidiary	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)
						RMB'000	RMB'000	(%)	(%)	
Lingwu Company	Limited company	Lingwu, the PRC	Wang Wenqi	77492869-7	Generation and sale of electricity	1,300,000	1,332,655	65	65	Y
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	Limited company	Ganzi 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	Li Xiuxai	66289432-0	Generation and sale of electricity	32,480	43,680	78	78	Y
Huadian International Shandong Materials Company Limited ("Materials Company")	Limited company	Jinan, the PRC	Wang Wenqi	75919979-9	Procurement of materials	50,000	38,648	100	100	Y
Huadian Qingdao Heat Company Limited	Limited company	Qingdao, the PRC	Wang Wenqi	77025937-7	Sale of heat	30,000	16,500	55	55	Y
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 Tonglin	78849619-4	Development and maintenance of information system	3,000	3,000	100	100	Y
Ningdong Wind Power Company	Limited company	Lingwu, the PRC	Ji Jun	79980031-6	Generation and sale of electricity	90,000	90,000	100	100	Y
Huadian Zuoxian Power Generation Company Limited ("Zuoxian Company")	Limited company	Zoucheng, the PRC	Zhong Tonglin	66530776-8	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y
Laizhou Wind Power Company	Limited company	Laizhou, the PRC	Dong Fengliang	67462389-1	Generation and sale of electricity	146,060	80,333	55	55	Y

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

IV. Business combinations and the consolidated financial statements (Continued)

1 Background of major subsidiaries (Continued)

(1) Subsidiaries acquired through establishment or investment (Continued)

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)
Kailu Wind Power Company	Limited company	Tongliao, the PRC	Xie Wei	67438152-4	Generation and sale of electricity	797,128	797,128	100	100	Y
Huadian Luohe Power Generation Company Limited (“Luohe Company”)	Limited company	Luohe, the PRC	Xing Shibang	68076402-X	Generation and sale of electricity	502,000	475,300	75	75	Y
Shanxi Maohua Energy Investment Company Limited (“Maohua Company”)	Limited company	Taiyuan, the PRC	Peng Guoquan	68806562-9	Investment and management in coal, electricity and heat industry	1,547,000	1,547,000	100	100	Y
Guyuan Wind Power Company	Limited company	Zhangjiakou, the PRC	Peng Guoquan	67418073-0	Generation and sale of electricity	300,000	336,100	100	100	Y
Huadian Kezuzhongqi Wind Power Company Limited	Limited company	Inner Mongolia Autonomous Region, the PRC	Xie Wei	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)	582,000	151,740	90	90	Y
Huadian Ningxia Ningdong Shangde Solar Energy Company Limited	Limited company	Lingwu, the PRC	Ji Jun	69432340-1	Generation and sale of electricity	38,000	22,800	60	60	Y
Hebei Kangbao Wind Power Company Limited (“Kangbao Wind Power Company”)	Limited company	Zhangjiakou, the PRC	Peng Guoquan	55043453-2	Generation and sale of electricity (under construction)	5,000	5,000	100	100	Y
Anhui Huadian Lu'an Power Plant Company Limited (“Lu'an Company”)	Limited company	Lu'an, the PRC	Xing Shibang	55019512-1	Generation and sale of electricity (under construction)	104,400	99,180	95	95	Y

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)
Guang'an Company	Limited company	Guang'an, the PRC	Zhong Tonglin	28956243-3	Generation and sale of electricity	1,785,860	1,267,577	80	80	Y
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	Limited company	Xinxiang, the PRC	Wang Fengjiao	75388082-3	Generation and sale of electricity	69,000	372,100	90	90	Y
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Limited company	Suzhou, the PRC	Xu Xu	75289721-0	Generation and sale of electricity	327,852	818,017	97	97	Y
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
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
Hebei Huadian Complex Pumping-storage Power Company Limited	Limited company	Luqian, the PRC	Kang Jinzhu	77770333-8	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	Wang Wenqi	71318784-5	Generation and sale of electricity and heat	789,740	908,511	82	82	Y
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Thermal Power Company") (Note 1)	Limited company	Shijiazhuang, the PRC	Wang Wenqi	79138085-1	Generation and sale of electricity and heat	500,000	—	87.87	100	Y
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Thermal Power Company") (Note 2)	Limited company	Shijiazhuang, the PRC	Xing Shibang	67468680-X	Generation and sale of electricity and heat (under construction)	120,000	—	81	90	Y

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

IV. Business combinations and the consolidated financial statements (Continued)

1 Background of major subsidiaries (Continued)

- (2) Subsidiaries acquired through business combinations under common control (Continued)

Note 1: 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 2: 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 75,000,000 and RMB 108,000,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)
Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	Limited company	Qingdao, the PRC	Zhong Tonglin	16368000-3	Generation and sale of electricity and heat	700,000	345,668	55	55	Y
Huadian Weifang Power Generation Company Limited ("Weifang Company") (Note 3)	Limited company	Weifang, the PRC	Zhong Tonglin	16542039-4	Generation and sale of electricity	1,250,000	823,483	45	45	Y
Huadian Zibo Thermal Power Company Limited ("Zibo Thermal Power Company")	Limited company	Zibo, the PRC	Xing Shihang	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	Bai Hua	70592974-1	Generation and sale of electricity and heat	750,000	617,077	87.50	87.50	Y
Tengzhou Thermal Power Company	Limited company	Tengzhou, the PRC	Bai Hua	16991985-6	Generation and sale of electricity and heat	474,172	424,400	93.26	93.26	Y
Zagunao Hydroelectric Company (Note 6)	Limited company	Lixian, the PRC	Wang Ning	75472823-3	Generation and sale of electricity	200,000	495,381	64	64	Y
Huanu Group Company	Limited company	Shijiazhuang, the PRC	Zhong Tonglin	75243920-0	Generation and sale of electricity and heat	538,000	966,885	100	100	Y
Huafeng Investment Company (Note 4)	Limited company	Shijiazhuang, the PRC	He Zengyun	75026749-2	Energy projects investment	977,300	—	96.68	96.68	Y
Shanxi Dongyi Zhongzhou Coal Company Limited ("Dongyi Coal Company") (Note 5)	Limited company	Shuzhou, the PRC	Diao Youfeng	X0243004-7	Resources consolidation, improvement and expansion services	12,180	—	70	70	Y

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)
Shanxi Shuzhou Wantongyuan Erpu Coal Company Limited ("Erpu Coal Company") (Note 5)	Limited company	Shuzhou, the PRC	Diao Youfeng	11147348-4	Resources consolidation, improvement and expansion services	10,000	—	70	70	Y
Shandong Century Electric Power Development Corporation Limited ("Century Power Company")	Corporation limited	Longkou, the PRC	Gao Yujun	16942322-8	Generation and sale of electricity and heat	488,000	2,123,700	84.31	84.31	Y
Shaoguan Pingshi Power Plant Company Limited (B Plant) ("Pingshi Power Company")	Limited company	Lechang, the PRC	Ma Ruidong	61745169-6	Generation and sale of electricity	789,000	546,912	100	100	Y

Note 3: Although the Company's percentage of equity interest and voting rights in Weifang Company are less than 50%, according to the articles of association of the Company, the Company holds majority of seats in the Board of Directors and can participate in the financial and operating policy decisions of the Company, and obtain benefits from its operating activities. As a result, the management of the Company determined that the Company is able to control Weifang Company and included it into the consolidated financial statements of the Company.

Note 4: Huafeng Investment Company is the subsidiary of Huarui Group Company, a subsidiary of the Company. The closing amounts of investments to Huafeng Investment Company is RMB 880,362,312.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

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)*

Note 5: Dongyi 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.

Note 6: The Company updated equity interest agreement with other shareholders of Zagunao Hydroelectric Company on 12 May 2010. The percentage of equity interest of the Company in Zagunao Hydroelectric Company increased from 49% to 64%.

- 2 The Company has no entities with special purpose or operating entities controlled through entrusted operating and leases during the period.**
- 3 Changes of the consolidation scope of the Company during the period are referred to Note IV. 4.**

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

IV. Business combinations and the consolidated financial statements (Continued)

4 Subsidiaries that newly consolidated and those that ceased to be consolidated during the period

(1) Subsidiaries that are newly consolidated during the period

Name	Note	30 June 2010	Six months ended
		Net assets RMB'000	30 June 2010 Net profit/ (loss) RMB'000
Century Power Company and its subsidiaries	Note 1	2,125,418	15,428
Pingshi Power Company	Note 2	293,519	(135,995)
Lu'an Company	Note 3	104,400	—
Kangbao Wind Power Company	Note 3	5,000	—

Note 1: Century Power Company is the subsidiary newly acquired by the Company during the period, details are referred to Note IV. 1(3) and IV. 6(1). Subsidiaries of Century Power Company include Qingdao Guhe Power Generation Company Limited, Longkou Dongyi Wind Power Company Limited and Penglai East-sea Thermal Power Company Limited.

Note 2: Pingshi Power Company is the subsidiary newly acquired by the Company during the period. Details are referred to Note IV. 1(3) and IV. 6(2).

Note 3: The two above mentioned companies are the subsidiaries newly established by the Company during the period. Details are referred to Note IV. 1(1).

(2) The Company has no entity that is ceased to be consolidated during the period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

IV. Business combinations and the consolidated financial statements
(Continued)

- 5 The Company has no business combinations involving entities under common control during the period.**
- 6 Business combinations involving entities not under common control during the period**

(1) Acquisition of Century Power Company

At the acquisition date of 1 May 2010, the Company acquired a 84.31% interest in Century Power Company, and obtained control on the subsidiaries of Century Power Company, by paying RMB 2,124 million in cash as combination cost.

Century Power Company is a limited company by shares registered in Longkou, Shandong Province on 30 October 2000, and is principally engaged in the production and sale of electricity and heat. Before the acquisition, Century Power Company's parent company was Zhengda Energy Development (China) Company Limited.

Century Power Company and its subsidiaries' consolidated financial information are as follows:

Acquiree	Operating income from acquisition date to 30 June 2010 <i>RMB'000</i>	Net profit from Acquisition date to 30 June 2010 <i>RMB'000</i>	Net cash inflow from operating activities from acquisition date to 30 June 2010 <i>RMB'000</i>
Century Power Company and its subsidiaries	332,260	6,627	3,436

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

IV. Business combinations and the consolidated financial statements (Continued)

6 Business combinations involving entities not under common control during the period (Continued)

(1) Acquisition of Century Power Company (Continued)

The identifiable assets and liabilities of the acquiree:

Item	Acquisition date (1 May 2010)		31 December 2009
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000
Cash at bank and on hand	128,692	128,692	659,013
Receivables	397,938	397,938	400,384
Inventories	89,941	89,941	53,917
Available-for-sale financial assets	3,792	3,792	3,792
Long-term equity investments	102,908	280,869	102,908
Fixed assets, construction in progress and construction materials	1,132,295	2,329,153	1,152,316
Construction prepayments	6,480	6,480	26,856
Intangible assets	103,858	353,947	104,729
Deferred tax assets	19,366	19,366	20,107
Short-term loans	(760,000)	(760,000)	(920,000)
Payables	(292,492)	(292,492)	(310,047)
Long-term loans	(5,600)	(5,600)	(40,600)
Deferred tax liabilities	(2,831)	(409,058)	(2,207)
Other non-current liabilities	(24,237)	(24,237)	(24,601)
Total identifiable net assets	<u>900,110</u>	<u>2,118,791</u>	<u>1,226,567</u>
Less: Minority interests		(337,581)	
Add: Goodwill		<u>342,490</u>	
Consideration		<u>2,123,700</u>	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

IV. Business combinations and the consolidated financial statements (Continued)

6 Business combinations involving entities not under common control during the period (Continued)

(1) Acquisition of Century Power Company (Continued)

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

At the acquisition date of 21 May 2010, the Company acquired a 100% interest in Pingshi Power Company, by paying RMB 656 million in cash as combination cost.

Pingshi Power Company is a limited company registered in Lechang, Guangdong Province on 8 January 1992, and is principally engaged in the production and sale of electricity. Before the acquisition, Pingshi Power Company's parent company was Haiyue Power Investment Company Limited.

Pingshi Power Company's financial information is as follows:

Acquiree	Operating income from acquisition date to 30 June 2010 RMB'000	Net profit from Acquisition date to 30 June 2010 RMB'000	Net cash inflow from operating activities from acquisition date to 30 June 2010 RMB'000
Pingshi Power Company	126,576	(5,778)	41,516

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

IV. Business combinations and the consolidated financial statements
(Continued)

6 Business combinations involving entities not under common control during the period (Continued)

(2) Acquisition of Pingshi Power Company (Continued)

The identifiable assets and liabilities of the acquiree:

Item	Acquisition date (1 May 2010)		31 December 2009
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000
Cash at bank and on hand	34,446	34,446	137,973
Receivables	188,107	188,107	245,951
Inventories	37,823	37,823	67,660
Available-for-sale financial assets	2,921	2,921	3,300
Fixed assets, construction in progress and construction materials	2,263,362	3,635,260	2,412,039
Construction prepayments	292,991	292,991	302,462
Intangible assets	125,464	178,770	122,982
Short-term loans	(240,000)	(240,000)	(409,500)
Payables	(324,817)	(324,817)	(480,744)
Long-term loans	(2,226,000)	(2,226,000)	(2,023,448)
Long-term payables	(923,902)	(923,902)	(935,902)
Deferred tax liabilities	—	(356,301)	—
Total identifiable net assets	<u>(769,605)</u>	299,298	<u>(557,227)</u>
Add: Goodwill		<u>356,301</u>	
Consideration		<u>655,599</u>	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

IV. Business combinations and the consolidated financial statements
(Continued)

6 Business combinations involving entities not under common control during the period (Continued)

(2) Acquisition of Pingshi Power Company (Continued)

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

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

V. Notes to the consolidated financial statements

1 Cash at bank and on hand

Item	30 June 2010			31 December 2009		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
	'000		'000	'000		'000
Cash on hand:						
RMB			2,287			1,862
Cash at bank:						
RMB			1,776,051			1,238,182
US dollar	6	6.7909	41	7	6.8282	48
HK dollar	4	0.8724	3	5	0.8805	4
Other monetary fund:						
RMB			913			1,804
Guarantee deposits for bank acceptance bills payable:						
RMB			38,595			1,906
Frozen fund:						
RMB			1,700			—
Total			<u>1,819,590</u>			<u>1,243,806</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

V. Notes to the consolidated financial statements (Continued)

2 Bills receivable

- (1) Classification of bills receivable

Category	30 June 2010 RMB'000	31 December 2009 RMB'000
Bank acceptance bills	105,164	44,616
Commercial acceptance bills	—	280,000
Total	105,164	324,616

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.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

2 Bills receivable

- (2) As at 30 June 2010, there are no acceptance bills transferred to accounts receivable due to non-performance of the issuers.

As at 30 June 2010, the top five outstanding endorsed bills that have not matured are as follows:

Issuer	Issuing date	Due date	Amount RMB'000
1. China Minsheng Bank Co., Ltd. Shijiazhuang Branch Banking Dept. Counter	18 March 2010	17 September 2010	60,000
2. China Minsheng Bank Co., Ltd. Shijiazhuang Branch Banking Dept. Counter	18 March 2010	17 September 2010	30,000
3. Shanghai Pudong Development Bank Co., Ltd. Zhengzhou Branch Operating Centre	20 May 2010	20 November 2010	10,000
4. China Construction Bank Co., Ltd. Qingzheng Subbranch	26 March 2010	26 September 2010	10,000
5. China Construction Bank Co., Ltd. Qingzheng Subbranch	26 March 2010	26 September 2010	10,000
6. China Construction Bank Co., Ltd. Qingzheng Subbranch	26 February 2010	26 August 2010	10,000
7. Industrial and Commercial Bank of China Linyi Chengxi Subbranch	16 March 2010	16 September 2010	10,000
8. Industrial and Commercial Bank of China Zhengzhou Jianshe Road Subbranch	26 January 2010	25 July 2010	10,000
9. Industrial and Commercial Bank of China Zhengzhou Jianshe Road Subbranch	26 January 2010	25 July 2010	10,000
10. China Merchants Bank Co., Ltd. Fuzhou Road Subbranch	29 April 2010	29 October 2010	10,000
11. China Merchants Bank Co., Ltd. Fuzhou Road Subbranch	10 March 2010	29 October 2010	10,000
Total			180,000

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

V. Notes to the consolidated financial statements (Continued)

3 Trade receivables

(1) Trade receivables by category

Category	Note	30 June 2010				31 December 2009			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
Individually significant amounts	(3)	3,323,887	95.30	26,271	0.79	3,170,692	96.34	32,633	1.03
Other insignificant trade receivables		164,060	4.70	—	—	120,551	3.66	—	—
Total		3,487,947	100.00	26,271	0.75	3,291,243	100.00	32,633	0.99

(2) The ageing analysis of trade receivables is as follows:

Ageing	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year (including one year)	3,457,038	3,254,037
Between one and two years (including two years)	65	—
Over three years	30,844	37,206
Sub-total	3,487,947	3,291,243
Less: Provision for bad and doubtful debts	(26,271)	(32,633)
Total	3,461,676	3,258,610

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

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

3 Trade receivables (Continued)

- (3) Provision for bad and doubtful debts for individually significant trade receivables at the end of the period

Content of trade receivables	Gross carrying amount RMB'000	Provision for bad and doubtful debts RMB'000	Percentage (%)	Reason
Sale of electricity	19,083	19,083	100.00	Long ageing
Sale of heat	11,761	7,188	61.12	Long ageing
Total	<u>30,844</u>	<u>26,271</u>	85.17	

- (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 period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

3 Trade receivables (Continued)

- (6) As at 30 June 2010, trade receivables due from the five biggest debtors of the Group

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total trade receivables (%)
1. SEPCO	Third party	1,660,175	Within one year	47.60
2. Sichuan Electric Power Corporation	Third party	301,418	(Note) Within one year	8.64
3. Henan Electric Power Company	Third party	260,111	Within one year	7.46
4. Hebei Electric Power Company	Third party	192,668	Within one year	5.52
5. Anhui Electric Power Company	Third party	174,290	Within one year	5.00
Total		<u>2,588,662</u>		<u>74.22</u>

Note: The ageing of the trade receivables amounted to RMB 19,083,303, 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.

- (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 30 June 2010, derecognition of trade receivable due to transfer of financial assets

Item	Amount derecognised RMB'000	Losses related to derecognition RMB'000
Trade receivable factoring without recourse	<u>1,560,000</u>	<u>2,530</u>

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

4 Other receivables

(1) Other receivables by category

Category	Note	30 June 2010				31 December 2009			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
Individually significant amounts	(3)	511,156	86.63	4,227	0.83	203,403	82.52	4,227	2.08
Other insignificant other receivables	(3)	78,919	13.37	264	0.33	43,079	17.48	264	0.61
Total		590,075	100.00	4,491	0.76	246,482	100.00	4,491	1.82

(2) The ageing analysis of other receivables is as follows:

Ageing	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year (including one year)	293,286	86,028
Between one and two years (including two years)	202,617	155,968
Between two and three years (including three years)	43,183	490
Over three years	50,989	3,996
Sub-total	590,075	246,482
Less: Provision for bad and doubtful debts	(4,491)	(4,491)
Total	585,584	241,991

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

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 period

Content of other receivables	Gross carrying amount RMB'000	Provision for bad and doubtful debts RMB'000	Rate of provision (%)	Reason
Disposal of assets	19,610	1,961	10.00	Long ageing
Others	<u>2,530</u>	<u>2,530</u>	100.00	Long ageing
Total	<u><u>22,140</u></u>	<u><u>4,491</u></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 period.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)**V. Notes to the consolidated financial statements (Continued)****4 Other receivables (Continued)**

- (6) As at 30 June 2010, other receivables due from the five biggest debtors

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total other receivables (%)
1. Shantou Special Economic Zone Turbine Plant Company Limited	Third party	98,000	Within one year	16.61
2. China Ping An Property Insurance Co., Ltd. Sichuan Branch	Third party	64,350	Between one and two years	10.91
3. China Pacific Property Insurance Co., Ltd. Sichuan Branch	Third party	51,480	Between one and two years	8.72
4. Linfen City Changfa Coal Coke Company Limited ("Linfen Changfa Company")	Related party	46,957	Between one and four years	7.96
5. Linfen Jinneng Coking Company Limited	Third party	35,801	Between one and two years	6.07
Total		<u>296,588</u>		<u>50.26</u>

- (7) Except amounts due from Linfen Changfa Company mentioned above in Note (6). 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 other receivables due to transfer of financial assets during the period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

5 Prepayments

- (1) The amounts mainly represent prepayments for purchase of fuel and materials.
- (2) The ageing analysis of prepayments is as follows:

Ageing	30 June 2010		31 December 2009	
	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
Within one year (including one year)	1,025,528	99.09	475,075	98.53
Between one and two years (including two years)	3,975	0.38	6,195	1.29
Between two and three years (including three years)	2,239	0.22	883	0.18
Over three years	3,215	0.31	—	—
Total	1,034,957	100.00	482,153	100.00

The ageing is counted starting from the date prepayments are recognised.

At 30 June 2010, 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.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

V. Notes to the consolidated financial statements (Continued)

6 Inventories

(1) Inventories by category

Item	Opening balance <i>RMB'000</i>	Increase for the period <i>RMB'000</i>	Decrease for the period <i>RMB'000</i>	Closing balance <i>RMB'000</i>
Coal, fuel gas and stalk	908,239	16,108,573	(15,670,232)	1,346,580
Fuel oil	68,753	114,446	(101,435)	81,764
Materials, components and spare parts	444,395	3,128,900	(3,062,224)	511,071
Sub-total	1,421,387	19,351,919	(18,833,891)	1,939,415
Less: Provision for diminution in value of inventories	(75,218)	—	—	(75,218)
Total	1,346,169	19,351,919	(18,833,891)	1,864,197

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

V. Notes to the consolidated financial statements (Continued)

6 Inventories (Continued)

(2) Provision for diminution in value of inventories

Category of inventories	Opening balance RMB'000	Provision made for the period RMB'000	Decrease for the period		Closing balance RMB'000
			Reversal RMB'000	Write-off RMB'000	
Materials, components and spare parts	75,218	—	—	—	75,218

7 Other current assets

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
VAT recoverable	982,216	594,231
Prepaid city maintenance and construction tax	930	552
Prepaid EIT	62,456	61,522
Others	4,304	4,442
Total	1,049,906	660,747

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

8 Available-for-sale financial assets

Available-for-sale financial assets represent 7,169,100 shares of the Bank of Communications Co., Ltd., 480,000 shares of Yantai Yuancheng Enterprise Group Co., Ltd. and Dongfeng No. 5 Collective Asset Management Plan held by the Group, changes in fair value of the period, see Note X. 3.

9 Long-term equity investments

(1) Long-term equity investments by category:

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Investments in jointly controlled entity	244,374	221,799
Investments in associates	6,216,894	3,952,640
Other long-term equity investments	260,598	565,198
Sub-total	6,721,866	4,739,637
Less: Provision for impairment	—	—
Total	6,721,866	4,739,637

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital RMB'000	Percentage of equity interest held by the Group (%)	Percentage of voting rights in investee held by the Group (%)
I. Jointly controlled entity								
Ningxia Zhongxing Power Generation Company Limited (Zhongxing Company)	Limited company	Yinchuan, the PRC	Ji Jun	73597054-2	Generation and sale of electricity	285,600	50	50
II. Associates								
Ningxia Power Generation (Group) Company Limited (Ningxia Power Company)	Limited company	Yinchuan, the PRC	Liu Yingkuan	75080305-1	Generation and sale of electricity and investment holding	1,011,600	31.11	31.11
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
Huadian Property Co., Ltd. (Huadian Property)	Limited company	Beijing, the PRC	Xin Baoran	77545281-1	Property development	1,420,000	20	20
Sichuan Luzhou Chuanman Power Generation Company Limited (Luzhou Company)	Limited company	Luzhou, the PRC	Guo Yong	76726573-4	Generation and sale of electricity	200,000	40	40
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
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	1,380,000	23.50	25.21
China Huadian New Energy Development Company Limited (Huadian New Energy)	Limited company	Beijing, the PRC	Yang Jupeng	71093502-X	New energy projects investment holding, construction and management	698,000	20	20
Huadian Jinshajiang Upstream Hydropower Development Co., Ltd.	Limited company	Chengdu, the PRC	Xin Baoran	78911986-4	Generation and sale of electricity (under construction)	30,000	20	20
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
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
Hengshui Hengxing Power Generation Company Limited (Hengxing Company)	Limited company	Hengshui, the PRC	Wang Jinsheng	74341504-7	Generation and sale of electricity and heat	475,000	30	30

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 RMB'000	Percentage of equity interest held by the Group (%)	Percentage of voting rights in investee held by the Group (%)
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	Limited company	Zhangjiakou, the PRC	Sun Xinlian	79842721-3	Generation and sale of electricity	206,000	44.08	44.08
Xingtai Guotai Power Generation Company Limited ("Guotai Company")	Limited company	Xingtai, the PRC	Wang Jinsong	75244165-0	Generation and sale of electricity and heat	400,000	33.84	35
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	Limited company	Shijiazhuang, the PRC	Li Lianping	75243698-2	Generation and sale of electricity and heat	880,000	33.84	35
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
Guodian Huailan Thermal Power Company Limited ("Huailan Company")	Limited company	Zhangjiakou, the PRC	Yang Tonghe	78881246-X	Generation and sale of electricity and heat	514,800	33.84	35
Ertuokeqiang 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
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
Ningdong Railway Corporation Limited ("Ningdong Railway Company") (Note 1)	Corporation limited	Yinchuan, the PRC	Bao Jinquan	69432300-6	Railway development and management	3,000,000	10	9

Note 1: Although the Company's equity interest percentage and voting rights in Ningdong Railway Company are less than 20%, according to the articles of association of Ningdong Railway Company, the Company has the representative in the Board of Directors and can participate in the financial and operating policy decisions of Ningdong Railway Company. As a result, the management of the Company determined that the Company has significant influence over Ningdong Railway Company, and recognises it using the equity method.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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 RMB'000	Opening balance RMB'000	Addition in investment RMB'000	Adjustments under equity method		Cash dividends for the period RMB'000	Closing balance RMB'000
					Gains/(losses) in investment RMB'000	Transfer of capital reserve RMB'000		
I. Jointly controlled entity								
Zhongning Company	Equity method	142,800	221,799	—	22,575	—	—	244,374
II. Associates								
Ningxia Power Company	Equity method	280,000	392,681	—	22,701	—	—	415,382
Chizhou Company	Equity method	258,940	111,275	—	(42,393)	—	—	68,882
Huadian Property	Equity method	290,000	286,974	—	(5,145)	—	—	281,829
Luzhou Company	Equity method	344,000	131,121	—	18,548	—	—	149,669
Huadian Coal	Equity method	549,700	420,178	214,700	38,558	—	—	673,436
China Huadian Finance	Equity method	361,110	481,848	—	21,742	(7,608)	(28,030)	467,952
Huadian New Energy	Equity method	139,605	143,233	—	18,047	—	(1,660)	159,620
Longtian Coal Company	Equity method	64,910	64,910	—	4,698	—	—	69,608
Shijiazhuang Heat Company	Equity method	117,143	124,576	—	(13,856)	—	—	110,720
Hengxing Company	Equity method	183,604	202,465	—	9,451	—	(28,101)	183,815
Yuzhou Wind Company	Equity method	96,173	98,193	—	3,808	—	—	102,001
Guotai Company	Equity method	208,842	218,895	—	5,758	—	(25,357)	199,296
Xibaipo Company	Equity method	435,996	435,921	—	15,274	—	(31,291)	419,904
Dongsheng Company	Equity method	112,812	128,961	—	15,506	—	(16,400)	128,067
Huainan Company	Equity method	143,682	164,791	—	2,057	—	—	166,848
Changcheng Mine Company	Equity method	180,050	109,050	71,000	17,860	—	—	197,910
Fucheng Mining Company	Equity method	498,042	309,042	189,000	40,555	—	—	538,597
Ningdong Railway Company	Equity method	300,000	—	300,000	6,471	—	—	306,471
Other associates	Equity method	1,567,498	128,526	1,446,840	1,521	—	—	1,576,887
Sub-total		6,138,107	3,952,640	2,221,540	181,161	(7,608)	(130,839)	6,216,894
Total		6,280,907	4,174,439	2,221,540	203,736	(7,608)	(130,839)	6,461,268

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

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	Opening	Addition in	Closing	Percentage	Percentage	Cash
		investment	balance	investment	balance	of equity	of voting	dividends for
		cost				interest held	rights in	the period
		RMB'000	RMB'000	RMB'000	RMB'000	by the Group	investee held	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	—
Shanxi Jinzhongnan Railway Coal Distribution Company Limited ("Jinzhongnan Coal Company")	Cost method	39,200	39,200	—	39,200	14	14	—
Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited ("Daduhe Hydropower Company")	Cost method	12,500	12,500	—	12,500	5	5	—
Sichuan Huayingshan Coal Company Limited	Cost method	20,000	20,000	—	20,000	2	2	—
Hebei Handan Thermal Power Corporation Limited	Cost method	72,289	72,289	—	72,289	16	16	—
Ningdong Railway Company	Cost method	300,000	300,000	(300,000)	—			—
Other investment	Cost method	17,600	17,600	(4,600)	13,000			—
Total		565,198	565,198	(304,600)	260,598			—

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

10 Fixed assets

(1) Fixed assets

Item	Plants and	Generators	Mining	Others	Total
	buildings	and related machinery and equipment	structures and mining rights		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
I. Cost					
Opening balance for the period	21,761,213	66,667,626	63,808	1,607,608	90,100,255
Additions for the period	—	1,231	—	24,622	25,853
Additions from acquisition of subsidiaries	2,072,416	2,954,233	—	59,914	5,086,563
Transferred from construction in progress	1,898,158	4,725,312	—	18,944	6,642,414
Disposals for the period	(1,609)	(20)	—	(1,292)	(2,921)
Closing balance for the period	25,730,178	74,348,382	63,808	1,709,796	101,852,164
II. Accumulated depreciation					
Opening balance for the period	(5,643,528)	(19,821,500)	—	(871,765)	(26,336,793)
Charge for the period	(388,294)	(1,785,216)	—	(58,939)	(2,232,449)
Written-back on disposals	—	20	—	86	106
Closing balance for the period	(6,031,822)	(21,606,696)	—	(930,618)	(28,569,136)
III. Net book value					
Closing balance for the period	19,698,356	52,741,686	63,808	779,178	73,283,028
Opening balance for the period	16,117,685	46,846,126	63,808	735,843	63,763,462

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

V. Notes to the consolidated financial statements (*Continued*)

10 Fixed assets (*Continued*)

(1) Fixed assets (*Continued*)

As at 30 June 2010, the Group has the mortgaged fixed assets that have been restricted on the ownership. Details are referred to Note V. 18.

(2) As at 30 June 2010, the Group did not have any temporary idle fixed assets.

(3) As at 30 June 2010, the Group did not have any fixed assets acquired under finance leases or leased out under operating leases.

(4) As at 30 June 2010, the Group did not have any fixed assets held for sale.

(5) As at 30 June 2010, 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 UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

11 Construction in progress

Project	Budget amount RMB'000	Opening balance RMB'000	Additions through acquisition RMB'000	Additions for the period RMB'000	Transfer to fixed assets RMB'000	Closing balance RMB'000	Percentage of input to budget (%)	Accumulated capitalised interest RMB'000	Including capitalised interest for the period RMB'000	Source of funds
Guang'an Company Phase III generating units	4,490,400	254,519	—	34,505	—	289,024	87	17,027	6,053	Self-financing and bank loans
Luxhe Company Phase I generating units	2,877,930	606,477	—	228,887	(835,364)	—	87	48,648	19,544	Self-financing and bank loans
Lingyu Company Phase II generating units	7,669,000	910,371	—	811,603	—	1,721,974	22	235,085	73,905	Self-financing and bank loans
Luding Hydropower Company Phase I generating units	8,782,228	2,005,554	—	627,540	—	2,633,094	30	181,853	35,613	Self-financing and bank loans
Kailu Wind Power Company Yihetala Phase I generating units	532,840	267,690	—	265,250	(532,840)	—	100	15,398	1,059	Self-financing and bank loans
Kailu Wind Power Company Beiqinghe generating units	2,421,570	1,477,651	—	329,342	(1,614,380)	192,613	75	32,271	9,093	Self-financing and bank loans
Yuhua Thermal Power Company	2,731,620	104,271	—	55,146	(79,000)	80,417	90	4,972	3,515	Self-financing and bank loans
Zagunao Hydroelectric Company Shipping hydroelectric project	2,953,000	2,797,108	—	231,193	(2,000,000)	1,028,301	103	403,664	29,805	Self-financing and bank loans
Zagunao Hydroelectric Company Guoheng hydroelectric project	1,499,000	1,451,133	—	254,741	—	1,705,874	114	305,546	55,805	Self-financing and bank loans
Pingshi Power Company	2,766,000	—	827,386	28,485	—	855,871	90	43,189	7,585	Self-financing and bank loans
Desulphurisation, technical improvement projects and others	—	2,695,716	48,767	2,179,231	(1,580,730)	3,342,986		341,463	78,418	Self-financing and bank loans
Total		12,570,492	876,153	5,045,923	(6,642,414)	11,850,154		1,629,116	329,425	

The Group's carrying amount of construction in progress at the end of the period included capitalised borrowing cost of RMB 1,629 million (2009: RMB 1,273 million). The interest rate per annum at which the borrowing costs were capitalised for the period by the Group was 5.02% (2009: 5.10%).

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

12 Construction materials

Item	Opening balance RMB'000	Additions through acquisition RMB'000	Additions for the period RMB'000	Decreases for the period RMB'000	Closing balance RMB'000
Construction materials	22,000	1,697	148,386	—	172,083

13 Intangible assets

Item	Land use rights RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
I. Cost				
Opening balance for the period	1,459,374	1,692,340	15,846	3,167,560
Additions for the period	35,592	—	2,182	37,774
Additions from acquisition of subsidiaries	531,108	—	1,609	532,717
Closing balance for the period	2,026,074	1,692,340	19,637	3,738,051

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

13 Intangible assets (Continued)

Item	Land use rights RMB'000	Mining rights RMB'000	Others RMB'000	Total RMB'000
II. Accumulated amortisation				
Opening balance for the period	(236,940)	—	(4,132)	(241,072)
Charge for the period	(18,632)	—	(3,422)	(22,054)
Closing balance for the period	(255,572)	—	(7,554)	(263,126)
III. Net book value				
Closing balance for the period	1,770,502	1,692,340	12,083	3,474,925
Opening balance for the period	1,222,434	1,692,340	11,714	2,926,488

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.

As at 30 June 2010, the Group has the mortgaged intangible assets that have been restricted on the ownership. Details are referred to Note V. 18.

As at 30 June 2010, the Group's total land use rights with indefinite life amounted to RMB 400,467,000 (2009: RMB 400,467,000). They were mainly land use rights assigned by the PRC's land bureau with indefinite land use period.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

14 Goodwill

Investee name	Note	Opening balance RMB'000	Additions through acquisition RMB'000	Decrease for the period RMB'000	Closing balance RMB'000	Provision for impairment at the period end 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	(1)	54,164	—	—	54,164	—
Bainian Power Company	IV. 6(1)	—	342,490	—	342,490	—
Pingshi Power Company	IV. 6(2)	—	356,301	—	356,301	—
Total		<u>107,686</u>	<u>698,791</u>	<u>—</u>	<u>806,477</u>	<u>—</u>

Note:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

15 Deferred tax assets /deferred tax liabilities

- (1) Composite of deferred tax assets and liabilities after offsetting

Item	30 June 2010		31 December 2009	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for stock and bad debt	132,365	30,801	112,335	25,157
Accrued salary expenses	53,553	13,123	107,237	26,545
Tax losses	1,856,511	454,179	1,415,255	344,615
Fair value adjustment	(5,118,929)	(1,255,133)	(1,849,414)	(506,259)
Depreciation of fixed assets	(3,115,056)	(778,764)	(2,934,450)	(733,616)
Capitalised interests	(90,282)	(22,483)	(93,220)	(23,100)
Others	31,480	7,870	25,632	6,118
Total	(6,250,358)	(1,550,407)	(3,216,625)	(860,540)
Deferred tax assets and liabilities presented in balance sheet				
Deferred tax assets		344,632		285,257
Deferred tax liabilities		(1,895,039)		(1,145,797)
Total		(1,550,407)		(860,540)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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 RMB'000	Movement charged to capital reserve RMB'000	Movement charged to income statement RMB'000	Acquisition of subsidiaries RMB'000	Closing balance RMB'000
Provision for stock and bad debt	25,157	—	(4,292)	9,936	30,801
Accrued salary expenses	26,545	—	(16,370)	2,948	13,123
Tax losses	344,615	—	109,564	—	454,179
Fair value adjustment	(506,259)	4,854	9,608	(763,336)	(1,255,133)
Depreciation of fixed assets	(733,616)	—	(43,125)	(2,023)	(778,764)
Capitalised interests	(23,100)	—	617	—	(22,483)
Others	6,118	—	(4,730)	6,482	7,870
Total	(860,540)	4,854	51,272	(745,993)	(1,550,407)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

15 Deferred tax assets /deferred tax liabilities (Continued)

- (2) Details of offsetting between deferred tax assets and liabilities

Item	Offsetting amount for the period RMB'000
Deferred tax assets	217,282
Deferred tax liabilities	(217,282)

- (3) Details of unrecognised deferred tax assets

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Deductible tax losses	<u>2,178,813</u>	<u>1,747,596</u>

- (4) Expiration of deductible tax losses for unrecognised deferred tax assets

Year	30 June 2010 RMB'000	31 December 2009 RMB'000
2013	1,518,186	1,626,546
2014	147,643	121,050
2015	512,984	—
Total	<u>2,178,813</u>	<u>1,747,596</u>

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)****V. Notes to the consolidated financial statements (Continued)****16 Other non-current assets**

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Prepayments for investment	<u>2,177,006</u>	<u>1,722,896</u>

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.

17 Details of provisions for impairment

Item	Note	Opening balance RMB'000	Charge for the period RMB'000	Decrease for the period		Closing balance RMB'000
				Reversal RMB'000	Write off RMB'000	
I. Provision for bad and doubtful debts						
Trade receivables	V.3	32,633	—	(6,362)	—	26,271
Other receivables	V.4	4,491	—	—	—	4,491
II. Provision for diminution in value of inventories	V.6	<u>75,218</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>75,218</u>
Total		<u>112,342</u>	<u>—</u>	<u>(6,362)</u>	<u>—</u>	<u>105,980</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

18 Restricted assets

At 30 June 2010, the assets with restrictions placed on their ownership were as follows:

Item	Note	Opening balance RMB'000	Acquisition of subsidiaries RMB'000	Charge for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Assets used as guarantee and frozen fund						
— Cash at bank and on hand	V.1	1,906	1,700	40,095	(3,406)	40,295
— Bills receivable	V.2	280,000	—	—	(280,000)	—
— Trade receivables	V.3	143,283	—	364,513	(238,283)	269,513
— Fixed assets	V.10	—	178,350	—	—	178,350
— Intangible assets	V.13	—	61,738	—	—	61,738
Total		<u>425,189</u>	<u>241,788</u>	<u>404,608</u>	<u>(521,689)</u>	<u>549,896</u>

The Group's cash at bank and on hand used as guarantee and frozen fund represent bank deposits pledged for bills payable and frozen fund. 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. The Group's fixed assets and intangible assets used as guarantee represent plants, equipment and land use rights mortgaged for long-term loans.

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

19 Short-term loans

(1) Short-term loans by category

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Unsecured loans	20,072,018	16,683,380
Secured loans	400,000	110,000
Total	<u>20,472,018</u>	<u>16,793,380</u>

(2) As at 30 June 2010, the Group do not have any overdue short-term loans.

20 Bills payable

Category	30 June 2010 RMB'000	31 December 2009 RMB'000
Bank acceptance bills	<u>2,024,672</u>	<u>1,357,201</u>

The bills payable above are due within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

21 Trade payables

(1) Details of trade payables are as follows:

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Payables for coal and oil	1,902,778	1,085,231
Payables for construction, equipment and material	3,877,875	2,553,751
Payables for major overhaul and maintenance	47,469	53,293
Others	89,690	29,093
Total	5,917,812	3,721,368

At 30 June 2010, 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 704,683 (2009: USD 834,283) at exchange rate 6.7909 (2009: 6.8282).

(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.

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

22 Advances from customers

- (1) Details of advances from customers are as follows:

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Sales of heat	9,806	65,438
Others	15,932	16,639
Total	25,738	82,077

At 30 June 2010, 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 UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

23 Wages payable

Item	Opening balance RMB'000	Additions for the period RMB'000	Payments for the period RMB'000	Closing balance RMB'000
I. Wages, bonuses, allowances and subsidies	151,507	347,397	(430,359)	68,545
II. Staff welfare	—	45,745	(43,168)	2,577
III. Social insurances Including: 1. Medical insurance	15,369	62,829	(58,525)	19,673
2. Pension insurance	8,775	160,430	(163,003)	6,202
3. Unemployment insurance	3,305	9,061	(9,867)	2,499
4. Work injury insurance	417	3,745	(3,934)	228
5. Maternity insurance	237	2,470	(2,296)	411
IV. Housing fund	4,512	133,013	(126,682)	10,843
V. Labour union and staff education fund	21,055	33,612	(17,300)	37,367
VI. Termination benefits	13,044	1,285	(1,677)	12,652
VII. Supplementary pension insurance	847	41,483	(41,799)	531
VIII. Others	216	42,455	(41,204)	1,467
Total	219,284	883,525	(939,814)	162,995

The Group has joined supplementary pension insurance managed by China Huadian.

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

24 Taxes payable

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
VAT	127,215	116,813
EIT	38,473	24,217
Individual income tax	10,485	20,857
Education surcharge	5,454	19,023
City maintenance and construction tax	9,523	28,743
Land use tax	27,147	37,379
Others	24,640	19,896
Total	<u>242,937</u>	<u>266,928</u>

25 Interests payable

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Interests payable for loans	144,338	139,293
Interests payable for debentures	30,371	85,873
Total	<u>174,709</u>	<u>225,166</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

26 Other payables

- (1) Details of other payables are as follows:

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Amounts due to China Huadian	70,290	75,190
Amounts due to other related parties	17,578	22,835
Amounts due to third parties	<u>2,628,378</u>	<u>1,885,391</u>
Total	<u><u>2,716,246</u></u>	<u><u>1,983,416</u></u>

- (2) Except for amounts due to China Huadian, 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 other payables.
- (3) As at 30 June 2010, except for quality guarantee deposits of constructions, the Group does not have any individually significant payable items with ageing over one year.
- (4) Amounts due to third parties mainly represent quality guarantee deposits of constructions.

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

27 Short-term debenture payables

Item	Opening balance RMB'000	Addition for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Short-term debenture	3,002,923	49,583	—	3,052,506

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

Debenture name	Face value RMB	Date of issuance	Maturity period Days	Interest rate (%)	Issuance amount RMB'000	Opening	Discount amortisa- -tion RMB'000	Interests accrued for the period RMB'000	Interests paid for the period RMB'000	Closing balance RMB'000
						balance of interests payable RMB'000				
The first tranche of 2009 short-term debenture	100	11 November 2009	365	2.98	1,500,000	1,500,889	2,976	22,474	—	1,526,339
The second tranche of 2009 short-term debenture	100	11 November 2009	270	2.80	1,500,000	1,502,034	3,016	21,117	—	1,526,167
Total						3,002,923	5,992	43,591	—	3,052,506

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

28 Long-term loans due within one year

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Secured loans	840,000	891,634
Mortgaged loans	146,700	—
Guaranteed loans	62,164	45,271
Unsecured loans	4,020,678	3,626,991
Total	5,069,542	4,563,896

The secured loans due within one year are secured by the income stream in respect of the sales of electricity. The mortgaged loans due within one year are mortgaged by the fixed assets and intangible assets.

As at 30 June 2010, the foreign currencies included in the balance of long-term loans due within one year amounting to USD 102,156,778 and EUR 1,356,202 (2009: USD 3,246,985 and EUR 1,356,202) at exchange rate 6.7909 and 8.2710 (2009: 6.8282 and 9.7971) respectively.

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

28 Long-term loans due within one year (Continued)

- (1) At 30 June 2010, the top five largest long-term loans due within one year

Debtor	Loan starting date	Loan ending date	Currency	Interest rate (%)	30 June	31 December
					2010	2009
					RMB'000	RMB'000
1. Bank of China (Hong Kong) Co., Ltd. Qingdao Branch	30 September 2009	29 April 2011	USD	1.96-2.25	679,090	—
2. SITC	8 November 2005	7 November 2010	RMB	5.346	250,000	250,000
3. Hebei Electric Power Collective Asset Management Centre	11 March 2009	4 March 2011	RMB	4.86	207,000	—
4. Syndicated Loans (Note 1)	28 June 2006	10 June 2028	RMB	5.346	200,000	200,000
5. China Huadian Finance	23 June 2008	23 June 2011	RMB	4.86	200,000	—
Total					1,536,090	450,000

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 30 June 2010, the Group do not have any overdue loans in the balance of long-term loans due within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

29 Long-term loans

(1) Long-term loans by category

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Unsecured loans	37,939,100	33,050,170
Secured loans	12,938,200	13,556,200
Mortgaged loans	2,067,000	—
Loans guaranteed by third parties	180,200	207,000
Loans guaranteed by China Huadian	130,115	160,767
Loans guaranteed by SEPCO	23,591	29,108
Less: Long-term loans due within one year	(5,069,542)	(4,563,896)
Total	48,208,664	42,439,349

As at 30 June 2010, the foreign currencies included in the balance of long-term loans amounting to USD 7,312,172 and EUR 14,375,315 (2009: USD 108,166,061 and EUR 15,053,416) at exchange rate 6.7909 and 8.2710 (2009: 6.8282 and 9.7971) respectively.

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

29 Long-term loans (Continued)

(2) As at 30 June 2010, the top five largest long-term loans

Debtor	Loan starting date	Loan ending date	Currency	Interest rate (%)	30 June	31 December
					2010 RMB'000	2009 RMB'000
1. Syndicated Loans (Note 1)	26 December 2005	26 December 2025	RMB	5.346	3,091,000	3,101,000
2. Syndicated Loans (Note 2)	28 June 2006	10 June 2028	RMB	5.346	2,705,000	2,805,000
3. Industrial and Commercial Bank of China Co., Ltd. Hangzhou Chengzhan Subbranch	1 December 2003	31 December 2019	RMB	5.346	1,700,000	1,700,000
4. Syndicated Loans (Note 3)	27 June 2007	26 June 2022	RMB	5.94	2,067,000	—
5. Industrial and Commercial Bank of China Co., Ltd. Guang'an Branch	29 December 2005	29 December 2020	RMB	5.346	1,500,000	1,500,000
Total					11,063,000	9,106,000

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

29 Long-term loans (Continued)

- (2) As at 30 June 2010, the top five largest long-term loans (Continued)

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.

Note 3: Syndicated Loans above included China Development Bank Co., Ltd., Industrial, Commercial Bank of China Co., Ltd. Guangdong Branch Banking Dept. Counter, Bank of China Co., Ltd. Shaoguan Branch and Bank of Communication Co., Ltd. Guangzhou Branch.

30 Debentures payable

Item	Opening balance RMB'000	Addition for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Medium-term notes	2,971,022	4,460	—	2,975,482

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

30 Debentures payable (Continued)

(1) The analysis of debentures payable is set out as follows:

Debenture name	Face value	Date of issuance	Maturity period	Interest rate	Issuance amount	Opening balance	Discount amortisation	Closing balance
	RMB			(%)	RMB'000	RMB'000	RMB'000	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	1,490,060	2,229	1,492,289
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	1,480,962	2,231	1,483,193
Total					3,000,000	2,971,022	4,460	2,975,482

The debentures above are paid interests annually and principals are repaid on maturity.

31 Long-term payables

Long-term payables represent the payables of principal assumed by the Group as bank loans guarantor and the payables for mining rights.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

32 Share capital

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Share capital	<u>6,771,084</u>	<u>6,771,084</u>

The share capital of the Company included A shares with restriction on disposals amounting to RMB 750,000,000, and shares without restriction on disposals amounting to RMB 6,021,084,200.

33 Capital reserve

Item	Opening balance RMB'000	Addition for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Share premiums	3,928,299	—	(9,353)	3,918,946
Other capital reserves	<u>329,830</u>	<u>2,288</u>	<u>—</u>	<u>332,118</u>
Total	<u>4,258,129</u>	<u>2,288</u>	<u>(9,353)</u>	<u>4,251,064</u>

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.

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

34 Surplus reserve

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Statutory surplus reserve	1,417,924	1,417,924
Discretionary surplus reserve	68,089	68,089
Total	1,486,013	1,486,013

35 Retained profits

Item	Note	Amount RMB'000	Appropriation rate
Opening balance of retained profits before adjustments		3,169,574	
Adjustments of retained profits at the beginning of the period	(1)	16,906	
Adjusted retained profit at the beginning of the period		3,186,480	
Add: Net profit attributable to equity shareholders of the Company		35,359	
Less: Statutory surplus reserve	(2)	(236,988)	RMB 0.035 per share
Closing balance retained profits	(3)	2,984,851	

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

V. Notes to the consolidated financial statements (Continued)

35 Retained profits (Continued)

- (1) Details of adjustment retained profits at the beginning of the period

In accordance with CAS Bulletin No. 4, retrospective adjustment is made and increases retained profits of RMB 16,906,000 at the beginning of the period (Note II. 29).

- (2) Dividends of ordinary shares declared during the period

Pursuant to the shareholders' approval at the Shareholders' Meeting on 8 June 2010, a final dividend of RMB 0.035 per share totaling approximately RMB 236,987,947 (2009: RMB Nil) was declared and paid to the Company's ordinary shareholders on 16 July 2010.

- (3) Retained profits at the end of the period

As at 30 June 2010, the consolidated retained profits attributable to the Company included an appropriation of RMB Nil to surplus reserve made by the subsidiaries (2009: RMB 55,598,000).

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").

Interim Financial Report (PRC)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)****V. Notes to the consolidated financial statements (Continued)****36 Operating income and Operating costs**

(1) Operating income and Operating costs

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Revenue from principal activities	21,798,417	17,186,920
Revenue from other operating activities	70,212	101,385
Operating costs	19,919,365	14,328,992

(2) Principal activities (by industry)

Industry	30 June 2010		30 June 2009	
	Operating income RMB'000	Operating costs RMB'000	Operating income RMB'000	Operating costs RMB'000
Sale of electricity	20,883,986	18,791,422	16,563,803	13,690,356
Sale of heat	914,431	1,092,024	623,117	581,000
Total	21,798,417	19,883,446	17,186,920	14,271,356

(3) Principal activities (by geographical area)

The Group's principal activities are the generation and sale of electricity and heat in the PRC.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

36 Operating income and Operating costs (Continued)

- (4) Operating income from the top five customers for the six months ended 30 June 2010

Customer name	Operating income RMB'000	Percentage of total operating income (%)
1. SEPCO	11,388,949	52.08
2. Sichuan Electric Power Corporation	2,266,604	10.36
3. Hebei Electric Power Company	1,528,206	6.99
4. Henan Electric Power Company	1,521,745	6.96
5. East China Grid Company Limited	1,104,642	5.05
Total	<u>17,810,146</u>	<u>81.44</u>

37 Sales taxes and surcharges

Item	Six months ended 30 June		Taxation basis and rates
	2010 RMB'000	2009 RMB'000	
City maintenance and construction tax	56,660	92,933	1-7% of VAT payment
Education surcharge	36,968	58,350	3-5% of VAT payment
Total	<u>93,628</u>	<u>151,283</u>	

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

38 Finance expenses

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Interest expenses from loans and payables	1,889,966	1,809,797
Less: Borrowing costs capitalised	(320,425)	(298,555)
Interest income from deposits and receivables	(10,150)	(11,043)
Net exchange gains	(31,364)	(681)
Other finance expenses	3,147	9,331
Total	<u>1,531,174</u>	<u>1,508,849</u>

39 Investment income

(1) Investment income by item

Item	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Income from long-term equity investments under cost method		7,123	12,259
Income from long-term equity investments under equity method	(2)	203,736	115,168
Investment income from holding available-for-sale financial assets		624	—
Total		<u>211,483</u>	<u>127,427</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

39 Investment income (Continued)

- (2) The significant investment income/(loss) from long-term equity investments under equity method are as follows:

Investee	Six months ended 30 June		Reason for movements for the period
	2010 RMB'000	2009 RMB'000	
Zhongning Company	22,575	1,927	Profit or loss from normal operations
Ningxia Power Company	22,701	(3,795)	Profit or loss from normal operations
Chizhou Company	(42,393)	(28,099)	Profit or loss from normal operations
Huadian Coal	38,558	31,579	Profit or loss from normal operations
Fucheng Company	40,555	—	Profit or loss from normal operations

40 Impairment losses

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Reversal of impairment loss on trade receivables	6,362	—

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

41 Non-operating income

(1) Non-operating income by item is as follows:

Item	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Gains on disposal of fixed assets		799	464
Government grants	(2)	76,924	20,800
Others		14,517	4,848
Total		92,240	26,112

(2) Details of government grants

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
VAT refunding of wind and stalk power generation (Note 1)	3,567	1,587
VAT refunding of sale of heat (Note 2)	12,895	7,022
Grants of eliminating backward production facilities	11,250	11,030
Grants of sale of heat	43,417	—
Interest subsidies	14	—
Others	5,781	1,161
Total	76,924	20,800

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

41 Non-operating income (Continued)

(2) Details of government grants (Continued)

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 earned the VAT refund policies.

42 Non-operating expenses

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Donations	—	2
Others	1,452	3,869
Total	1,452	3,871

Interim Financial Report (PRC)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)****V. Notes to the consolidated financial statements (Continued)****43 Income tax**

Item	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Income tax for the period based on tax law and corresponding regulations		68,170	36,993
Deferred taxation adjustments	(1)	(51,272)	138,486
Under-provision for income tax in respect of preceding year		932	2,546
Total		17,830	178,025

(1) The analysis of deferred taxation adjustments is set out below:

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Origination and reversal of temporary differences	(51,272)	138,486

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

43 Income tax (Continued)

- (2) Reconciliation between income tax and accounting profits is as follows:

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Profit before taxation	66,953	898,579
Expected income tax at a tax rate of 25%	16,738	224,645
Add: Non-deductible expenses	13,703	8,005
Non-taxable income	(57,942)	(43,256)
Effect of preferential tax rate of subsidiaries on income tax	(56,757)	(13,626)
Under-provision in respect of preceding year	932	2,546
Tax losses	101,156	(289)
Income tax for the period	<u>17,830</u>	<u>178,025</u>

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

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:

	<u>Six months ended 30 June</u>	
	<u>2010</u>	<u>2009</u>
Consolidated net profit or loss of the Company attributable to ordinary shareholders (RMB'000)	35,359	545,586
Weighted average number of ordinary shares outstanding ('000 share)	6,771,084	6,021,084
Basic earnings per share (RMB)	0.005	0.091

- (2) There were no dilutive potential ordinary shares in existence for the period ended 30 June 2010, therefore the diluted earnings per share is the same as the basic earnings per share.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

45 Other comprehensive income

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
1. (Loss)/gains arising from available-for-sale financial assets	(19,406)	26,619
Less: Tax expenses arising from available-for-sale financial assets	(4,854)	6,655
Sub-total	(14,552)	19,964
2. Share of other comprehensive income of investees accounted for under the equity method	(7,608)	13,822
Less: Reclassification adjustments for amounts transferred to profit or loss	—	(600)
Sub-total	(7,608)	14,422
Total	(22,160)	34,386

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

46 Notes to cash flow statement

(1) Other cash received relating to operating activities

Item	Amount <i>RMB'000</i>
Cash received relating to other operating activities	31,517
Others	75,767
Total	<u>107,284</u>

(2) Other cash paid relating to operating activities

Item	Amount <i>RMB'000</i>
Cash paid relating to administration expenses	357,015
Others	127,314
Total	<u>484,329</u>

(3) Other cash received relating to investing activities

Item	Amount <i>RMB'000</i>
Interest income	10,150
Others	1,047
Total	<u>11,197</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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 <i>RMB'000</i>
Available-for-sale financial assets	3,581
Others	4,087
Total	7,668

(5) Other cash received relating to financing activities

Item	Amount <i>RMB'000</i>
Cash received relating to bills financing	330,081
Government grants	68,641
Others	1,402
Total	400,124

(6) Other cash paid relating to financing activities

Item	Amount <i>RMB'000</i>
Cash paid relating to bills financing expenses	10,621
Cash repaid relating to bills financing	314,103
Others	44,889
Total	369,613

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)****V. Notes to the consolidated financial statements (Continued)****47 Information of cash flow statement**

(1) Supplement to cash flow statement

Supplement	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	49,123	720,554
Add: Reversal of impairment provisions for assets	(6,362)	—
Depreciation of fixed assets	2,226,255	2,006,310
Amortisation of intangible assets	17,934	18,373
Gains on disposal of fixed assets, intangible assets and other long-term assets	(799)	(464)
Finance expenses	1,531,174	1,508,849
Direct cost for acquisition	3,740	—
Gains arising from investments	(211,483)	(127,427)
(Increase)/decrease in deferred tax assets	(40,009)	65,817
(Decrease)/increase in deferred tax liabilities	(11,263)	72,669
(Increase)/decrease in gross inventories	(390,264)	289,231
Increase in operating receivables	(615,789)	(1,758,612)
Increase in operating payables	1,629,777	922,216
Net cash flow from operating activities	4,182,034	3,717,516

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

47 Information of cash flow statement (Continued)

(1) Supplement to cash flow statement (Continued)

Supplement	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
2. Change in cash and cash equivalents:		
Cash at the end of the period	1,779,295	1,984,917
Less: Cash at the beginning of the period	1,241,900	1,869,305
Net increase in cash and cash equivalents	537,395	115,612

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

47 Information of cash flow statement (Continued)

(2) Information on acquisition of subsidiaries during the period

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
1. Consideration of acquisition	2,779,299	1,527,953
2. Cash and cash equivalents paid for acquiring subsidiaries	2,150,000	904,950
Add: Cash and cash equivalents paid for last year acquiring subsidiaries in current period	—	833,263
Less: Cash and cash equivalents held by subsidiaries	(163,138)	(195,286)
3. Net cash paid for the acquisition	1,986,862	1,542,927
4. Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	713,809	202,710
Non-current assets	7,103,549	3,844,551
Current liabilities	(1,617,309)	(1,922,984)
Non-current liabilities	(3,945,098)	(420,846)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

V. Notes to the consolidated financial statements (Continued)

47 Information of cash flow statement (Continued)

(3) Details of cash and cash equivalents

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
1. Cash at bank and on hand		
Including: Cash on hand	2,287	1,865
Bank deposits available on demand	1,776,095	1,981,921
Other monetary fund available on demand	913	1,131
2. Closing balance of cash and cash equivalents	1,779,295	1,984,917

Note: Cash and cash equivalents disclosed above exclude cash with restricted usage.

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)****VI. Related party and related party transactions****1 Parent of the Company**

Company name	Related party		Registered place	Legal representative	Business nature	Registered capital RMB'000	Percentage of equity interest to the Company	Percentage of voting right to the Company	Organisation code
	relationship	Type					(%)	(%)	
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 UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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 Power Plant Operation Company Limited ("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

Interim Financial Report (PRC)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)****VI. Related party and related party transactions (Continued)****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	Six months ended 30 June			
			2010		2009	
			Amount RMB'000	Percentage on the same deals (%)	Amount RMB'000	Percentage on the same deals (%)
Huadian Engineering and its subsidiaries	Receiving services (Note 1)	Construction expenses and Equipment expenses	27,758	0.42	128,509	2.40
China Huadian Finance	Deposits interest (Note 1)	Interest income	5,837	57.51	7,270	65.83
China Huadian, SITC, China Huadian Finance, Huadian Tendering, CHD Capital and CHD Operation	Interest expense (Note 1)	Interest expense	213,336	11.29	168,521	9.43
CHD Capital	Receiving services (Note 1)	Agency fees	760	100.00	—	—
Huadian Coal	Receiving services (Note 1)	Coal services fees	34,013	100.00	16,922	100.00

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)
(Expressed in Renminbi)

VI. Related party and related party transactions (Continued)

5 Transactions with related parties (Continued)

- (1) Related party transactions concerning sale and purchase of goods, rendering of and receiving services *(Continued)*

The Group (Continued)

Related party	Type of related party transaction	Content of related party transaction	Six months ended 30 June			
			2010		2009	
			Amount RMB'000	Percentage on the same deals (%)	Amount RMB'000	Percentage on the same deals (%)
Huadian Technology & Trade	Receiving services (Note 1)	Property management services fees	3,530	29.63	1,765	29.28
Hengxing Company, Guotai Company, Xibaipo Company, Xingtai Xiangtai Thermal Power Company Limited ("Xiangtai Company")	Purchase of goods (Note 1)	Purchase of electricity	216,638	39.34	123,001	34.09
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Company"), Xiangtai Company	Sale of goods (Note 1)	Sale of electricity rights	76,038	11.80	70,329	15.35
Shijiazhuang Heat Company	Sale of goods (Note 1)	Sale of heat	358,560	39.21	307,210	49.30
Key management personnel	Payment of remuneration	Remuneration	1,914	0.22	1,818	0.22

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

VI. Related party and related party transactions (Continued)

5 Transactions with related parties (Continued)

- (1) Related party transactions concerning sale and purchase of goods, rendering of and receiving services (Continued)

The Company

Related party	Type of related party transaction	Content of related party transaction	Six months ended 30 June			
			2010		2009	
			Amount RMB'000	Percentage on the same deals (%)	Amount RMB'000	Percentage on the same deals (%)
China Huadian, SITC, China Huadian Finance, CHD Capital and Materials Company	Interest expense (Note 1)	Interest expense	70,344	17.98	36,548	12.69
China Huadian Finance	Deposits interest (Note 1)	Interest income	323	13.40	82	3.20
Huadian Technology & Trade	Receiving services (Note 1)	Property management services fees	3,530	43.48	1,765	65.06
Key management personnel	Payment of remuneration	Remuneration	1,914	0.78	1,818	0.80

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 UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

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 RMB'000	Rationale for justifying lease expense
Anfu Company	The Company	China Huadian Building	1 April 2009	31 March 2012	24,501	Trustee area

(3) As at 30 June 2010, related party guaranty of the Group and the Company

The Group

Guarantor	Guarantee	Amount of guaranty RMB'000	Guaranty starting date	Guaranty ending date	Guaranty completed (Y/N)
Guang'an Company	Longtan Coal Company	189,407	9 January 2006	14 April 2022	N
China Huadian Company	Banshan Company	130,115	25 June 2004	30 May 2022	N

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**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)****VI. Related party and related party transactions (Continued)****5 Transactions with related parties (Continued)**

- (3) As at 30 June 2010, related party guaranty of the Group and the Company (Continued)

The Company

Guarantor	Guarantee	Amount of guaranty RMB'000	Guaranty starting date	Guaranty ending date	Guaranty completed (Y/N)
The Company	Zhangqiu Company	70,000	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	148,200	29 July 2008	29 July 2025	N
The Company	Ningdong Wind Power Company	40,000	13 March 2009	12 March 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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

VI. Related party and related party transactions (Continued)

5 Transactions with related parties (Continued)

(4) Related party borrowing and refunding

The Group

Related party	Borrowing Amount <i>RMB'000</i>	Refunding Amount <i>RMB'000</i>
China Huadian	82,541	60,000
SITC	940,000	774,310
China Huadian Finance	2,370,000	1,361,840
CHD Capital	1,000,000	—
Huadian Tendering	50,000	50,000
Total	4,442,541	2,246,150

The Company

Related party	Borrowing Amount <i>RMB'000</i>	Refunding Amount <i>RMB'000</i>
China Huadian	74,222	—
SITC	700,000	374,310
China Huadian Finance	800,000	550,000
CHD Capital	350,000	—
Total	1,924,222	924,310

Interim Financial Report (PRC)

**NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT
(CONTINUED)****VI. Related party and related party transactions (Continued)****6 Related party receivables, payables, loans and deposits****The Group**

Item	Related party	30 June 2010 RMB'000	31 December 2009 RMB'000
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	68,994	46,271
Other receivables for construction	Linfen Changfa Company	46,957	—
Other payables for acquirement of subsidiaries	China Huadian	(68,780)	(68,780)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(26,901)	(45,334)
Loans from shareholders	China Huadian and SITC	(3,912,102)	(3,723,871)
Other Loans	China Huadian Finance, Huadian Tendering and CHD Capital	(6,265,916)	(4,257,756)
Deposits	China Huadian Finance	789,135	582,758
Trade receivables for sales of electricity rights	Huacheng Company and Xiangtai Company	14,095	9,096
Trade receivables for sale of heat	Shijiazhuang Heat Company	26,305	55,596
Trade payables for purchase of electricity	Hengxing Company, Guotai Company, Xibaipo Company and Xiangtai Company	(51,885)	(1,301)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

VI. Related party and related party transactions (Continued)

6 Related party receivables, payables, loans and deposits (Continued)

The Company

Item	Related party	30 June	31 December
		2010	2009
		RMB'000	RMB'000
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	178	178
Other payables for acquirement of subsidiaries	China Huadian	(68,780)	(68,780)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(132)	(111)
Loans from shareholders	China Huadian and SITC	(2,198,011)	(1,798,099)
Other Loans	China Huadian Finance, CHD Operation, CHD Capital and Material Company	(1,350,000)	(750,000)
Deposits	China Huadian Finance	25,977	17,131
Advances for purchase of fuel	The Company's subsidiaries	(22,387)	(60,352)
Prepayments for purchase of materials	Material Company	536,918	506,213

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

VII. Contingencies

1 Contingent liabilities arising from guarantees provided for other entities and related financial effect

At 30 June 2010, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB 189,407,000 (2009: RMB 189,407,000).

VIII. Significant commitments

1 Capital commitments

Item	30 June 2010 RMB'000	31 December 2009 RMB'000
Investment contracts entered into but not performed or performed partially	1,702,970	2,565,499
Construction contracts entered into under performance or preparation of performance	11,243,852	11,354,182
Construction contracts authorised but not contracted	14,409,629	16,821,398
Total	27,356,451	30,741,079

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (CONTINUED)

VIII. Significant commitments (Continued)

2 Operating lease commitments

According to those non-cancellable operating lease agreements in respect of land and buildings, the total future minimum lease payments of the Group as at 30 June 2010 and 31 December 2009 are as follows:

Item	30 June 2010 <i>RMB'000</i>	31 December 2009 <i>RMB'000</i>
Within one year (including one year)	79,411	78,525
Between one and two years (including two years)	66,531	77,581
Between two and three years (including three years)	29,780	40,830
Over three years	405,684	419,174
Total	581,406	616,110

IX. Post balance sheet events

As at the date of this report, the Group has no material post balance sheet events to disclosure.

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

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.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

(1) Credit risk (Continued)

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

Ageing	30 June 2010 RMB'000	31 December 2009 RMB'000
Past due within three months (including three months)	172,659	8,883
Past due three to six months (including six months)	57,805	3,241
Past due six months to one year (including one year)	65	8,446
Total	230,529	20,570

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 63% (2009: 79%) of the total trade receivables and other receivables were due from the five largest customers of the Group.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

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.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

(2) Liquidity risk (Continued)

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 30 June 2010 and 31 December 2009 is adopted) are as follows:

Item	30 June 2010 Contractual undiscounted cash flow					Total RMB'000	Balance sheet carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000			
Financial assets							
Cash at bank and on hand	1,819,590	—	—	—	1,819,590	1,819,590	
Receivables	4,152,532	—	—	—	4,152,532	4,152,424	
Available-for-sale financial assets	49,799	—	—	—	49,799	49,799	
Sub-total	6,021,921	—	—	—	6,021,921	6,021,813	
Financial liabilities							
Short-term loans	(20,964,730)	—	—	—	(20,964,730)	(20,472,018)	
Short-term debenture payables	(3,076,821)	—	—	—	(3,076,821)	(3,052,506)	
Long-term loans (including due within one year)	(7,721,127)	(11,106,285)	(20,185,224)	(31,069,995)	(70,082,631)	(53,278,206)	
Debentures payable	(110,100)	(1,610,402)	(1,618,800)	—	(3,339,302)	(2,975,482)	
Payables	(11,297,498)	—	—	—	(11,297,498)	(11,292,280)	
Long-term payables	(43,200)	(439,685)	(824,302)	—	(1,307,187)	(1,307,187)	
Sub-total	(43,213,476)	(13,156,372)	(22,628,326)	(31,069,995)	(110,068,169)	(92,377,679)	
Total	(37,191,555)	(13,156,372)	(22,628,326)	(31,069,995)	(104,046,248)	(86,355,866)	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

(2) Liquidity risk (Continued)

Item	31 December 2009 Contractual undiscounted cash flow					Total RMB'000	Balance sheet carrying amount RMB'000
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years		More than 2 years but less than 5 years			
		RMB'000	RMB'000	RMB'000	RMB'000		
Financial assets							
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
Sub-total	5,127,416	—	—	—	—	5,127,416	5,127,311
Financial liabilities							
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)
Sub-total	(34,736,974)	(10,163,408)	(21,280,343)	(26,289,264)	—	(92,469,989)	(77,703,631)
Total	(29,609,558)	(10,163,408)	(21,280,343)	(26,289,264)	(87,342,573)	(87,342,573)	(72,576,320)

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)**X. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)****(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 30 June 2010 and 31 December 2009, the Group held the following interest-bearing financial instruments:

Item	30 June 2010		31 December 2009	
	Annual interest rate (%)	Amount RMB'000	Annual interest rate (%)	Amount RMB'000
Fixed rate instruments				
Financial assets				
— Other receivables	5.35	8,000	5.35	8,000
Financial liabilities				
— Short-term loans	4.00-5.31	(11,308,665)	3.40-5.62	(9,631,823)
— Long-term loans (including due within one year)	2.25-7.30	(3,335,216)	2.25-7.30	(2,223,328)
— Short-term debenture payables	2.80-2.98	(3,052,506)	2.80-2.98	(3,002,923)
— Debentures payable	3.38-3.96	(2,975,482)	3.38-3.96	(2,971,022)
Total		(20,663,869)		(17,821,096)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

(3) Interest rate risk (Continued)

(a) As at 30 June 2010 and 31 December 2009, the Group held the following interest-bearing financial instruments (Continued):

Item	30 June 2010		31 December 2009	
	Annual interest rate (%)	Amount RMB'000	Annual interest rate (%)	Amount RMB'000
Floating rate instruments				
Financial assets				
— Cash at bank and on hand	0.36-2.25	1,819,590	0.36-1.17	1,243,806
Financial liabilities				
— Short-term loans	1.19-5.31	(9,163,353)	1.77-4.78	(7,161,557)
— Long-term loans (including due within one year)	0.62-5.94	(49,942,990)	1.36-5.94	(44,779,917)
— Other payables	4.59	(218,700)	4.59	(218,700)
Total		<u>(57,505,453)</u>		<u>(50,916,368)</u>

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

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 30 June 2010, 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 RMB 470,086,000 (2009: RMB 405,386,000).

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 2009.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

(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 30 June 2010 and 31 December 2009 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	30 June 2010		31 December 2009	
	USD RMB'000	EUR RMB'000	USD RMB'000	EUR RMB'000
Short-term loans	(442,353)	—	(444,782)	—
Long-term loans (including due within one year)	(743,393)	(130,115)	(760,751)	(160,767)
Trade payables	(4,785)	—	(5,697)	—
Long-term payables	(917,902)	—	—	—
Net balance sheet exposure	<u>(2,108,433)</u>	<u>(130,115)</u>	<u>(1,211,230)</u>	<u>(160,767)</u>

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

(4) Foreign currency risk (Continued)

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

Item	Average rate		Reporting date mid-spot rate	
	30 June 2010	30 June 2009	30 June 2010	31 December 2009
USD	6.8252	6.8327	6.7909	6.8282
EUR	9.0742	9.1063	8.2710	9.7971

(c) Sensitivity analysis

Assuming all other risk variables remained constant, a 10% strengthening of the Renminbi against the US dollar and Euro at 30 June 2010 and 31 December 2009 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 RMB'000	Net profit RMB'000
30 June 2010		
USD	158,132	158,132
EUR	9,759	9,759
Total	167,891	167,891
31 December 2009		
USD	90,842	90,842
EUR	12,058	12,058
Total	102,900	102,900

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

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 (Continued)

A 10% weakening of the Renminbi against the US dollar and Euro at 30 June 2010 and 31 December 2009 would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

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 2009.

(5) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2010 and 31 December 2009.

(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.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

(6) Estimation of fair values (Continued)

(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.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

X. Other material events (Continued)

2 Risk analysis, sensitivity analysis, and determination of fair values for financial instruments (Continued)

(6) Estimation of fair values (Continued)

(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	2010 Interest rate adopted (%)	2009 Interest rate adopted (%)
Long-term loans (including due within one year)	4.86-5.94	4.86-5.35
Debentures payable	2.89-3.80	3.93-5.00

3 Assets at fair value

Item	Opening balance RMB'000	Additions for the period RMB'000	Changes in fair value for the period RMB'000	Closing balance RMB'000
Available-for-sale financial assets	58,288	10,917	(19,406)	49,799

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

XI. Notes to major items in the parent's financial statements

1 Trade receivables

(1) Trade receivables by category

Category	Note	30 June 2010				31 December 2009			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
Individually significant amounts	(3)	724,102	100.00	—	—	543,110	98.70	—	—
Other insignificant trade receivables	(3)	—	—	—	—	7,177	1.30	—	—
Total		724,102	100.00	—	—	550,287	100.00	—	—

(2) The ageing analysis of trade receivables is as follows:

Ageing	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year (including one year)	724,102	550,287

(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 period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

XI. Notes to major items in the parent's financial statements (continued)

1 Trade receivables (continued)

(5) The analysis of significant trade receivables is as follows:

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total trade receivables (%)
1. SEPCO	Third party	684,515	Within one year	94.53
2. Zaozhuang Heat Corporation	Third party	39,587	Within one year	5.47
Total		<u>724,102</u>		<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.

2 Other receivables

(1) Other receivables by category

Category	Note	30 June 2010				31 December 2009			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
Individually significant amounts	(3)	1,134,798	98.30	4,227	0.37	619,976	98.11	4,227	0.68
Other insignificant other receivables	(3)	19,571	1.70	264	1.35	11,917	1.89	264	2.22
Total		<u>1,154,369</u>	<u>100.00</u>	<u>4,491</u>	<u>0.39</u>	<u>631,893</u>	<u>100.00</u>	<u>4,491</u>	<u>0.71</u>

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

XI. Notes to major items in the parent's financial statements
(continued)

2 Other receivables (continued)

(2) The ageing analysis of other receivables is as follows:

Ageing	30 June 2010 RMB'000	31 December 2009 RMB'000
Within one year (including one year)	1,113,223	606,102
Between one and two years (including two years)	18,089	22,586
Between two and three years (including three years)	19,955	124
Over three years	3,102	3,081
Sub-total	1,154,369	631,893
Less: Provision for bad and doubtful debts	(4,491)	(4,491)
Total	1,149,878	627,402

(3) Provision for bad and doubtful debts for other receivables at the end of the period.

Other receivables	Gross carrying amount RMB'000	Provision for bad and doubtful debts RMB'000	Rate of provision (%)	Reason
Disposal of assets	19,610	1,961	10.00	Long ageing
Others	2,530	2,530	100.00	Long ageing
Total	22,140	4,491	20.28	

(4) The Company does not actually write-off any other receivables during the period.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

XI. Notes to major items in the parent's financial statements
(continued)

2 Other receivables (continued)

(5) The analysis of significant other receivables is as follows:

Other receivables	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total other receivables (%)
1. Amounts due from subsidiaries	Subsidiary	1,018,517	Within one year	88.23
2. Payments on behalf of others	Third party	98,000	Within one year	8.49
3. Amounts due from disposal of assets	Third party	19,610	Between one and three years	1.70
Total		1,136,127		98.42

(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.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

XI. Notes to major items in the parent's financial statements (continued)

3 Long-term equity investments

(1) Investments in subsidiaries

Investee name	Accounting for method	Initial	Opening	Additions in	Closing	Cash
		investment costs	balance	investment	balance	dividends for the period
		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	—
Zhangjiu 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	818,017	—	818,017	—
Lingwu Company	Cost method	1,332,655	1,262,496	70,159	1,332,655	70,159
Luding Hydropower						
Company	Cost method	1,266,090	1,266,090	—	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	475,300	—	475,300	—
Kailu Wind						
Power Company	Cost method	797,128	797,128	—	797,128	—
Shijiazhuang						
Thermal Power						
Company	Cost method	908,511	908,511	—	908,511	—
Banshan Company	Cost method	386,724	386,724	—	386,724	28,050
Zagunao						
Hydroelectric						
Company	Cost method	495,379	449,529	45,852	495,381	—
Maohua Company	Cost method	1,547,000	1,547,000	—	1,547,000	—

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

XI. Notes to major items in the parent's financial statements (continued)

3 Long-term equity investments (continued)

(1) Investments in subsidiaries (continued)

Investee name	Accounting for method	Initial	Opening	Additions in	Closing	Cash
		investment costs RMB'000	balance RMB'000	investment RMB'000	balance RMB'000	dividends for the period RMB'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	—
Lu'an Company	Cost method	99,180	—	99,180	99,180	—
Bainian Power Company	Cost method	2,123,700	—	2,123,700	2,123,700	—
Pingshi Power Company (Note 1)	Cost method	655,599	—	655,599	655,599	—
Other subsidiaries	Cost method	338,979	315,739	23,238	338,977	7,649
Total		19,342,148	16,324,420	3,017,728	19,342,148	105,858

Note 1: According to the pledge contract signed between China Agriculture Bank Co., Ltd. Foshan Branch and the Company as at 18 May 2010, the Company pledged 75% of its investment in Pingshi Power Company for the payables assumed by the Company as bank loans guarantors.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(CONTINUED)

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 RMB'000	Opening balance RMB'000	Additions in investment RMB'000	Adjustments under equity method		Cash dividends for the period RMB'000	Closing balance RMB'000
					Gains/(losses) in investment RMB'000	Transfer of capital reserve RMB'000		
I. Jointly controlled entity								
Zhongning Company	Equity method	142,800	221,799	—	22,575	—	—	244,374
II. Associates								
Ningxia Power Company	Equity method	280,000	392,681	—	22,701	—	—	415,382
Chizhou Company	Equity method	258,940	111,275	—	(42,393)	—	—	68,882
Huadian Property	Equity method	290,000	266,974	—	(5,145)	—	—	281,829
Luzhou Company	Equity method	344,000	131,121	—	18,548	—	—	149,669
Huadian Coal	Equity method	516,900	395,129	201,900	36,258	—	—	633,287
China Huadian Finance	Equity method	296,548	390,926	—	17,645	(6,173)	(22,748)	379,650
Huadian New Energy	Equity method	139,605	143,233	—	18,047	—	(1,660)	159,620
Changcheng Mine Company	Equity method	180,050	109,050	71,000	17,860	—	—	197,910
Fucheng Mining Company	Equity method	498,042	309,042	189,000	40,555	—	—	538,597
Ningdong Railway Company	Equity method	300,000	—	300,000	6,471	—	—	306,471
Other associates	Equity method	1,153,703	8,120	1,145,970	(118)	—	—	1,153,972
Sub-total		4,257,788	2,277,551	1,907,870	130,429	(6,173)	(24,408)	4,285,269
Total		4,400,588	2,499,350	1,907,870	153,004	(6,173)	(24,408)	4,529,643

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

XI. Notes to major items in the parent's financial statements
(continued)

3 Long-term equity investments (continued)

(3) Other long-term equity investments

Investee name	Accounting for method	Initial	Opening	Additions in	Closing	Cash
		investment costs RMB'000	balance RMB'000	investment RMB'000	balance RMB'000	dividends for the period RMB'000
Luneng Heze Company	Cost method	103,609	103,609	—	103,609	—
Jinzhongnan Coal Company	Cost method	39,200	39,200	—	39,200	—
Daduhe Hydropower Company	Cost method	12,500	12,500	—	12,500	—
Ningdong Railway Company	Cost method	300,000	300,000	(300,000)	—	—
Other investment	Cost method	5,000	5,000	—	5,000	—
Total		460,309	460,309	(300,000)	160,309	—

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)**XI. Notes to major items in the parent's financial statements**
(continued)**4 Operating income and Operating costs**

(1) Operating income and Operating costs

Item	Six months ended 30 June	
	2010 RMB'000	2009 RMB'000
Operating income from principal activities	4,314,906	3,288,084
Other operating income	25,118	31,318
Operating costs	4,048,732	2,896,847

(2) Principal activities (by industry)

Industry	30 June 2010		30 June 2009	
	Operating income RMB'000	Operating costs RMB'000	Operating income RMB'000	Operating costs RMB'000
Sale of electricity	4,262,084	3,983,272	3,283,021	2,884,002
Sale of heat	52,822	59,220	5,063	3,694
Total	<u>4,314,906</u>	<u>4,042,492</u>	<u>3,288,084</u>	<u>2,887,696</u>

(3) Principal activities (by geographical area)

The Company's principal activities are the generation and sale of electricity in the PRC.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

XI. Notes to major items in the parent's financial statements
(continued)

4 Operating income and Operating costs (continued)

(4) Operating income from the significant customers

Customer name	Operating income RMB'000	Percentage of total operating income (%)
1. SEPCO	4,262,084	98.20
2. Zaozhuang Heat Corporation	44,757	1.03
3. Laiwu Gas and Heat Company Limited	8,065	0.19
Total	4,314,906	99.42

5 Investment income

(1) Investment income by item

Item	Note	Six months ended 30 June	
		2010 RMB'000	2009 RMB'000
Income from long-term equity investments under cost method	(2)	105,858	128,120
Income from long-term equity investments under equity method	(3)	153,004	33,617
Total		258,862	161,737

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

XI. Notes to major items in the parent's financial statements
(continued)

5 Investment income (continued)

- (2) The significant investment income from long-term equity investments under cost method is as follows:

Investee	Six months ended 30 June		Reason for movements for the period
	2010 RMB'000	2009 RMB'000	
Lingwu Company	70,159	95,918	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Banshan Company	28,050	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Material Company	—	17,994	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Laizhou Wind Power Company	7,649	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Luneng Heze Company	—	12,270	Under cost method, investment income is recognised when dividend is declared by investee.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

XI. Notes to major items in the parent's financial statements
(continued)

5 Investment income (continued)

- (3) The significant investment income/(losses) from long-term equity investments under equity method are as follows:

Investee	Six months ended 30 June		Reason for movements for the period
	2010 RMB'000	2009 RMB'000	
Zhongning Company	22,575	1,927	Profit or loss from normal operations
Ningxia Power Company	22,701	(3,795)	Profit or loss from normal operations
Chizhou Company	(42,393)	(28,099)	Profit or loss from normal operations
Huadian Coal	36,258	29,696	Profit or loss from normal operations
Fucheng Mining Company	40,555	—	Profit or loss from normal operations

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(CONTINUED)

XI. Notes to major items in the parent's financial statements
(continued)

6 Supplement to cash flow statement

Supplement	Six months ended 30 June	
	2010	2009
	RMB'000	RMB'000
1. Reconciliation of net (loss)/profit to cash flows from operating activities:		
Net (loss)/profit	(33,743)	115,894
Add: Depreciation of fixed assets	430,374	427,239
Amortisation of intangible assets	7,531	7,755
Income on disposal of fixed assets, intangible assets, and other long-term assets	(567)	—
Financial expense	360,741	273,231
Direct cost for acquisition	3,740	—
Gains arising from investments	(258,862)	(161,737)
Increase in deferred tax liabilities	7,024	—
(Increase)/decrease in gross inventories	(53,682)	74,532
Increase in operating receivables	(461,822)	(487,911)
Increase/(decrease) in operating payables	468,996	(66,591)
Net cash inflow from operating activities	<u>469,730</u>	<u>182,412</u>
2. Change in cash and cash equivalents:		
Cash at the end of the period	325,634	670,584
Less: Cash at the beginning of the period	<u>193,186</u>	<u>780,288</u>
Net increase/(decrease) in cash and cash equivalents	<u>132,448</u>	<u>(109,704)</u>



SUPPLEMENTARY INFORMATION

1 Details of extraordinary gains and losses for six months ended 30 June 2010

Item	Amount RMB'000
Disposal of non-current assets	799
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)	73,357
Reversal of impairment provisions of receivable assessed on an individual basis	6,362
Other non-operating income and expenses besides items above	13,065
Amount of effect on taxation	(13,744)
Amount of effect on minority shareholders after taxation	(23,827)
Total	<u>56,012</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.

SUPPLEMENTARY INFORMATION (CONTINUED)**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		Shareholders' equity	
		30 June 2010 RMB'000	30 June 2009 RMB'000	30 June 2010 RMB'000	31 December 2009 RMB'000
Amount under CAS		49,123	720,554	20,948,930	20,845,100
Adjustments:					
Business combination involving entities under common control	(1)	(27,786)	(14,556)	752,567	780,353
Government grants	(2)	5,780	5,664	(163,443)	(165,533)
Taxation impact of the adjustments		6,676	3,367	(148,092)	(154,762)
Amount under IFRSs		<u>33,793</u>	<u>715,029</u>	<u>21,389,962</u>	<u>21,305,158</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.

SUPPLEMENTARY INFORMATION (CONTINUED)**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:

	30 June 2010	
	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets (%)	0.23	(0.13)
Consolidated net profit/(losses) attributable to the Company’s ordinary equity shareholders (RMB’000)	35,359	(20,653)
Weighted average net assets attributable to the Company’s ordinary equity shareholders (RMB’000)	15,592,935	15,592,935
Fully diluted return on net assets (%)	0.23	(0.13)
Consolidated net profit/(losses) attributable to the Company’s ordinary equity shareholders (RMB’000)	35,359	(20,653)
Weighted average net assets attributable to the Company’s ordinary equity shareholders (RMB’000)	15,493,012	15,493,012
Basic earnings/(losses) per share (RMB)	0.005	(0.003)
Consolidated net profit/(losses) attributable to the Company’s ordinary equity shareholders (RMB’000)	35,359	(20,653)
Weighted average number of ordinary shares (’000 shares)	6,771,084	6,771,084

There were no dilutive potential ordinary shares in existence during the presented period, thus diluted earnings per share was equal to basic earnings per share.