



華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code : 1071



2010  
ANNUAL REPORT



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# Company Profile

Huadian Power International Corporation Limited (the "Company") and its subsidiaries (together, the "Group") are one of the largest listed power producers in the People's Republic of China (the "PRC"). The Group is primarily engaged in the construction and operation of power plants and other businesses related to power generation. As at the date of this report, the interested installed capacity of the Group amounted to 23,988.91MW, while the total installed capacity controlled by the Group amounted to 27,418MW. The total number of employees amounted to 21,283.

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

Details of the Group's major operational power generating assets as at the date of this report are as follows:

Name of Power Plant/Company	Installed Capacity (MW)	Equity Interest Held by the Company	Generating Units
1 Zouxian Plant	2,540	100%	2 x 600MW + 4 x 335MW
2 Shiliquan Plant	770	100%	1 x 330MW + 1 x 300MW + 1 x 140MW
3 Laicheng Plant	1,200	100%	4 x 300MW
4 Huadian Zouxian Power Generation Company Limited ("Zouxian Company")	2,000	69%	2 x 1,000MW
5 Huadian Weifang Power Generation Company Limited ("Weifang Company")	2,000	45%	2 x 670MW + 2 x 330MW
6 Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	1,200	55%	4 x 300MW
7 Huadian Zibo Thermal Power Company Limited ("Zibo Company")	433	100%	2 x 145MW + 2 x 71.5MW
8 Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	890	87.5%	2 x 300MW + 2 x 145MW
9 Huadian Tengzhou Xinyuan Thermal Power Company Limited ("Tengzhou Company")	930	93.257%	2 x 315MW + 2 x 150MW
10 Shandong Century Electric Power Development Corporation Limited ("Century Power Company")	1,046	84.31%	4 x 220MW + 1 x 110MW + 2 x 28MW
11 Huadian Laizhou Wind Power Company Limited ("Laizhou Wind Power Company")	40.5	55%	27 x 1.5MW
12 Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	2,200	65%	1 x 1,000MW + 2 x 600MW
13 Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	660	50%	2 x 330MW
14 Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company")	102	100%	68 x 1.5MW
15 Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("Shangde Solar Company")	10	60%	10 x 1MW
16 Sichuan Guang'an Power Generation Company Limited ("Guang'an Company")	2,400	80%	2 x 600MW + 4 x 300MW
17 Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("Za-gunao Hydroelectric Company") (Note 1)	470	64%	2 x 65MW + 2 x 56MW + 3 x 46MW + 3 x 30MW
18 Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660MW
19 Huadian Luohe Power Generation Company Limited ("Luohe Company")	660	75%	2 x 330MW
20 Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	1,260	97%	2 x 630 MW
21 Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	1,320	65%	2 x 660MW
22 Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	25	78%	2 x 12.5MW
23 Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company")	399	100%	262 x 1.5MW + 2 x 3MW
24 Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company")	1,435	64%	3 x 390MW + 1 x 135MW + 1 x 130MW
25 Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	1,100	82%	2 x 300MW + 2 x 200MW + 4 x 25MW
26 Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company")	100.5	100%	67 x 1.5MW
27 Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("Hebei Hydropower Company")	57	100%	1 x 16MW + 2 x 15MW + 1 x 11MW
28 Hebei Huarui Energy Group Corporation Limited ("Huarui Company") (Note 2)	1,585	100%	—
29 Shaoguan City Pingshi Electric Power Plant Company Limited ("Pingshi Power Company")	725	100%	2 x 300MW + 1 x 125MW
Total controlled installed capacity (Note 3)	27,418		
Total interested installed capacity (Note 4)	23,988.91		

## Company Profile (Continued)

Note 1: The Group's equity interest in Za-gunao Hydroelectric Company increased from 49% to 64% on 12 May 2010.

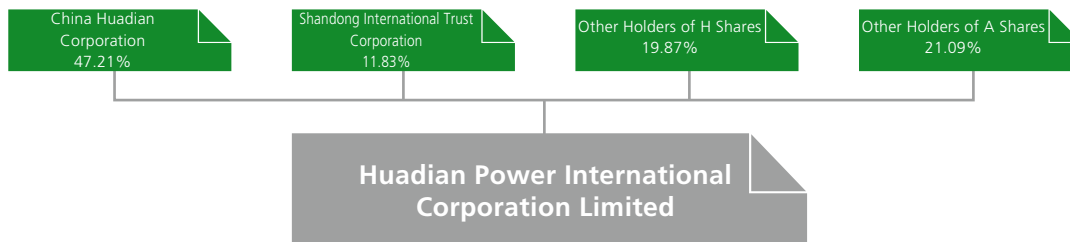
Note 2: As at the date of this report, the interested installed capacity of Huarui Company held by the Group amounted to 1,585MW.

Note 3: The controlled installed capacity of the Group refers to the total installed capacity of the Company and its subsidiaries.

Note 4: 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.

### SHAREHOLDING STRUCTURE

The shareholding structure of the Company as at the date of this report is set out as follows:



# Chairman's Statement

## Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2010. The past year was extraordinary in the history of the Group. For the financial year ended 31 December 2010, power generation of the Group amounted to 130.29 million MWh, representing an increase of approximately 21.23% over 2009; turnover amounted to approximately RMB45,763 million, representing an increase of approximately 25.55% over 2009; profit attributable to equity shareholders of the Company amounted to approximately RMB170 million and the earnings per share was RMB0.025. The board of directors of the Company did not recommend the payment of a final dividend for 2010.

In 2010, the Group continued to expand towards upstream coal industry. In Shanxi, following the acquisition of 70% equity interest in Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited\* and 70% equity interest in Shanxi Dongyi Zhonghou Coal Company Limited\*, the Group proactively increased investment in coal industry in Shanxi Province and participated in coal resources integration of Shanxi Province. We acquired Antaipu Coal Mine and Jinneng Erpu Coal Mine, integrated Jinneng Erpu Coal Mine, Antaipu Coal Mine and Wantongyuan Erpu Coal Mine into one mine and established a new company named Maohua Wantongyuan Company\*, to operate the integrated mine, with a production capacity of 2.1 million tonnes per year. The Group acquired the Bailu Coal Mine, the Xijiazhai Coal Mine and the Yibanling Coal Mine, and integrated them into one mine, which will have an aggregated annual production capacity of 1.2 million tonnes. Shanxi Shuozhou Pinglu Maohua Bailu Coal Company Limited\* is established to operate the integrated mine. In Shanghaimiao region, western Ordos, Inner Mongolia, following the acquisition of 35% equity interest in Inner Mongolia Fucheng Mining Co., Ltd\* and 25% equity interest in Inner Mongolia Ertuoqueqianqi Changcheng Mine Co., Ltd.\*, the Group further acquired 20% equity interest in Inner Mongolia Otag Front Banner Zhengtai Trading Company Limited\* (Manghatu Coal Mine), 20% equity interest in Inner Mongolia Otag Front Banner Zhengtai Trading Company Limited\* (Heiliang Coal Mine) and 35% equity interest in Otag Front Banner Quanhui Trading Company Limited\* (Shazhangtu Coal Mine). The aforesaid investments play a positive role in the Company's expansion into the upstream industry chain and secured the coal supply of the Company's power plants.

From 1 January 2010 to the date of this report, the installed capacity of the Group kept increasing. The newly-added capacity amounted to 3,764MW. In particular, the Group has completed construction and commenced operation of the following projects with an aggregate capacity of 1,993MW: 399MW wind power generating units of Kailu Wind Power Company, 12MW wind power generating units of Phases I and II Expansion Project of Ningdong Wind Power Company, 242MW hydroelectric generating units of Za-gunao Hydroelectric Company, 10MW solar power generating units of Shangde Solar Company, the second 330MW heat-power co-generating units of Luohe Company, and the first 1,000MW generating units of Phase II of Lingwu Company. In addition, the Group's newly-acquired projects include 1,046MW generating units of Century Power Company and 725MW generating units of Pingshi Plant Company, which have a total capacity of 1,771MW.



## Chairman's Statement (Continued)

To increase the return for shareholders and strengthen its core competitiveness, the Group has been continuously exploring new opportunities for development of electricity business throughout the country, with a view to maintaining its position as one of the largest and most competitive listed power producers in the PRC. Projects under construction and development are proceeding smoothly. As at the date of this report, the Group's projects under construction include: two 1,000MW generating units of Lingwu Company Phase II Project, two 1,000MW generating units of Shandong Laizhou Project, one 600MW unit of Lu'an Company, two 300MW heat-power co-generating units of Luhua Company, two 300MW heat-power co-generating units of Qudong Company, two 300MW heat-power co-generating units of Zibo Company, four 230MW hydroelectric generating units of Luding Hydropower Company, 121MW hydroelectric generating units of Za-gunao Hydroelectric Company, 49.5MW wind power generating units of Kezuozhongqi Wind Power Company, 49.5MW wind power generating units of Kangbao Wind Power Company, two phases of 99MW wind power generating units of Yueliangshan Project in Xiji County, Ningxia, 49.5MW wind power generating units of phase III of Ningdong Wing Power Company, 49.5MW wind power generating units of Phase IV of Ningdong Wing Power Company, 49.5MW wind power generating units of Huanghualiang Wind Farm Project in Hebei, 49.5MW wind power generating units of Zhenjiawan Wind Farm Project in Hebei, and 49.5MW wind power generating units of Phase I of Wuyuan Wind Farm in Haiyuan, Ningxia, and 48MW wind power generating units of Jincheng Wind Power Project in Laizhou.

In addition, the following projects of the Group have obtained "road slip" (i.e. preliminarily approval by National Development and Reform Commission, "NDRC"), and are subject to the official approval by state or local authorities: one 600MW generating units of Expansion Project of Shiliquan Plant, two 300MW heat-power co-generating units of Tianjin Nanjiang Project, one 300MW generating units of Phase III Project of Qingdao Company, 100MW wind power generating units of Phase II Project and 49.5MW wind power generating units of Phase III Project of Guyuan Wind Power Company, 100MW wind power generating units of Zhangjiakou Saibei Phase I Project, 49.5MW wind power generating units of Phase I of Caofeidian Offshore Project, 49.5MW wind power generating units of Phase II Project of Kangbao Wind Power Company, 49.5MW wind power generating units of Phase III Project of Kangbao Wind Power Company, 47.5MW wind power generating units of Phase I Project of Chifeng Gaojialiang and two 200MW gas-fired generating units of Tianjin Wuqing Distributed Energy Project.

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

**Yun Gongmin**  
*Chairman*

Beijing, the PRC  
30 March 2011

**Yun Gongmin**  
*Chairman*



# Business Review and Outlook

## BUSINESS REVIEW

### (1) Power Generation

Power generation of the Group in 2010 amounted to 130.29 million MWh, representing an increase of approximately 21.23% over 2009; the volume of power sold amounted to 121.30 million MWh, representing an increase of approximately 21.35% over 2009. The annual utilization hours of the coal-fired generating units were 5,539 hours, representing an increase of approximately 585 hours over 2009. Coal consumption for power supply was 320.96 g/KWh.

### (2) Turnover

In 2010, turnover of the Group amounted to approximately RMB45,198 million, representing an increase of approximately 24.00% over 2009. Revenue generated from sale of electricity amounted to approximately RMB43,530 million, representing an increase of approximately 23.67% over 2009; the revenue generated from sale of heat amounted to approximately RMB1,668 million, representing an increase of approximately 33.16% over 2009.

### (3) Profit

In 2010, operating profit of the Group amounted to RMB1,726 million, representing a decrease of approximately 59.59% from 2009, mainly due to material increase in coal price which led to growth in operating costs significantly outpacing the growth in operating revenue. For the year ended 31 December 2010, the Group's profit attributable to equity shareholders of the Company amounted to approximately RMB170 million. Earnings per share was RMB0.025.

### (4) Newly-added Capacity

From 1 January 2010 to the date of this report, the newly-added capacity of the Group amounted to 3,764MW:

Project Name	Capacity (MW)
Yihetala Project of Kailu Wind Power Company	99
Phase I & II Expansion Project of Ningdong Wind Power Company	12
Shiziping Project of Za-gunao Hydroelectric Company	130
Gucheng Project of Za-gunao Hydroelectric Company	112
Beiqinghe Project of Kailu Wind Power Company	300
Shangde Solar Company Project	10
The second unit of Luohe Company	330
The first unit of phase II of Lingwu Company	1,000
Century Power Company	1,046
Pingshi Plant Company	725
Total	3,764



## Business Review and Outlook (Continued)

### (5) Construction in Progress

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

Name of Project Under Construction	Planned Installed Capacity
Lingwu Company Phase II Project	1 x 1,000MW generating unit
Huadian Laizhou Wind Power Generation Company Limited	2 x 1,000MW generating units
Anhui Huadian Lu'an Power Generation Company Limited	1 x 600MW generating unit
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited	2 x 300MW heat-power co-generating units
Huadian Qudong Power Generation Company Limited	2 x 300MW heat-power co-generating units
Zibo Company	2 x 300MW heat-power co-generating units
Sichuan Huadian Luding Hydropower Company Limited	4 x 230MW hydroelectric generating units
Za-gunao Hydroelectric Company	121MW hydroelectric generating units
Huadian Kezuozhongqi Wind Power Company Limited	49.5MW wind power generating units
Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company")	49.5MW wind power generating units
Ningdong Wind Power Company Phase III and IV Project	99MW wind power generating units
Huadian Ningxia Yueliangshan Wind Power Company	99MW wind power generating units
Huanghualiang Wind Farm Project in Yu County, Hebei	49.5MW wind power generating units
Zhenjiawan Wind Farm Project in Yu County, Hebei	49.5MW wind power generating units
Phase I of Wuyuan Wind Farm Project in Haiyuan, Ningxia	49.5MW wind power generating units
Jincheng Wind Power Project in Laizhou	48MW wind power generating units
Total	<b>6,934.5MW</b>

### (6) Preliminary Projects

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

Project Name	Planned Installed Capacity
Expansion Project of Shiliquan Plant	1 x 600MW generating unit
Tianjin Nanjiang Project	2 x 300MW heat-power co-generating units
Phase III Project of Qingdao Company	1 x 300MW heat-power co-generating unit
Phase II Project of Guyuan Wind Power Company	100MW wind power generating units
Phase III Project of Guyuan Wind Power Company	49.5MW wind power generating units
Saibei Phase I Project in Zhangjiakou	100MW wind power generating units
Phase I of Caofeidian Offshore Project	49.5MW wind power generating units
Phase II Project of Kangbao Wind Power Company	49.5MW wind power generating units
Phase III Project of Kangbao Wind Power Company	49.5MW wind power generating units
Phase I Project of Chifeng Gaojialiang	47.5MW wind power generating units
Wuqing Distributed Energy Project	2 x 200MW gas-fired generating units
Total	<b>2,345.5MW</b>

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

## Business Review and Outlook (Continued)

### BUSINESS OUTLOOK

#### (1) Opportunities for the Group

**Power demand continues to increase:** In building a well-off society in an all-round way and accelerating the process of industrialization in China, national economy will maintain stable and rapid development while power demand will continue its fast growth. Accordingly, power generation industry will remain at the growth stage for a long time. According to estimations, China's economy is expected to maintain stable and fast growth in 2011, with GDP growth rate at approximately 9% and power demand will continue to increase. Total power consumption of the society would increase by approximately 10%. The growth rate in installed capacity for the year, especially for coal-fired power generation, is expected to be lower than that of power generation. The Country's utilization hour of power generation will maintain stable while the utilization hour of coal-fired generating units is expected to increase further.

**Opportunities brought by energy system reform:** The PRC government promotes economic structure adjustment, endeavors to develop low-carbon economy, sets new energy as strategic rising industry, largely increases planned installed capacity target for hydro-power, wind power, nuclear and solar power. Meanwhile, the changes in external environment such as the implementation of regional economy vitalization, diversification of energy supply, intensifying corporate mergers and restructuring, and further elimination of outdated and small units, present opportunities for the Company to speed up power generation structure adjustment. As China will further push ahead energy system and mechanism reform, energy pricing mechanism is expected to be improved, which will help the Company to further sharpen its cutting-edges in scale and consolidated its leading position, thus improving the profitability and boosting the competitiveness of the Company.

**Gradual effect by structure optimization:** While optimizing development of large scale and environmental friendly thermal power projects, the Company focused on development of new energy power generation project and achieved substantial progress. As new energy projects including hydro power and wind power gradually commenced production, the Company's power source structure continued to improve. The Company's expansion into coal industry has started to take effect. Growing out of nothing, our coal production capacity is gradually expanding, which provides certain supports for the Company to stabilize coal price and improve profitability. With adjustment of the industry, region and power source structures, the Company will gradually achieve achievements due to its expansion into coal industry, increase in percentage of clean energy and increase of share in economically developed regions.

#### (2) Challenges Faced by the Group

Firstly, influenced by factors such as inflation and higher resources price, reform of resources tax and local coal integration, coal price will linger at high level in 2011. If pricing mechanism of electricity tariffs remains unchanged, companies with coal-fired power generation as principal operation are still under heavy cost pressure. Secondly, China has shifted its monetary policy stance from "relatively loose" to "prudent", consecutively increased reserve requirements, and pushed the interest rate in an upward channel. Meanwhile, as the government further controls credit supply and reduces total credit, it is more difficult for companies to finance while the financing cost will be higher. Thirdly, energy saving and emission reduction pressure are to continue. The Government sets ever stricter requirements on energy saving and emission reduction, which will increase the Company's operating costs to some extent.



## Business Review and Outlook (Continued)

### (3) Development and Operating Plan for 2011

The Group will put more efforts in practice of scientific development perspective, give priority to creation of sustainable value, accelerate strategic transformation, and fully implement the development strategy of "profitability as vanguard, power as core, business synergy". The Group will improve the existing operation while optimizing the new operations for growth. Taking improvement of profitability as core, acceleration of restructuring as mainline, innovation of mechanism and system as support, and capital operation as method, the Group will focus its resources on three major sectors, namely, high efficient coal-fired power generation, clean energy and coal. The Group will gear up to build itself into a comprehensive energy company with optimized asset structure, high standard management, favorable profitability, positive corporate image and strong competitiveness. If external condition remains almost the same, the Company will endeavor to increase power generation and sales revenue by over 10%, and keep utilization hour of the power generating units not less than 5,200 hours. In 2011, the top priorities of the Group are as follows:

1. To speed up the structural adjustment and optimization and proactively promote scientific development. The Group will accelerate adjustment and optimization of industrial structure, power source structure and regional structure, make efforts in power source reserve projects and coal project developments, enhance technical renovation and upgrading as well as strengthen management of projects under construction.
2. To spare no efforts in fuel management so as to concretely lower fuel costs. The Group will timely monitor dynamics in coal supply and demand, flow direction and price, and optimize coal procurement strategy and reserve plan, apply responsibility system to all levels, increase execution percentage of key contracts, increase fuel blending and mixed burning, uplift comprehensive profitability of production and operation, so as to control and lower price.
3. To enhance marketing for more power generation and higher profitability. The Group will try to obtain more planned power generation, enhance operation and optimize scheduling, aiming for maximization of power generation returns. Meanwhile, the Group will put efforts in pricing of heat, apply heat power co-generating policy and explore profitability of heat supply business.
4. To strengthen capital management. The Group will actively cope with the dire financing environment and further expand financing channel to ensure capital supply. Meanwhile, the Group will optimize debt structure, increase the percentage of mid- and long-term borrowings and control financial risks.
5. To enhance production safety management, strengthen cost reduction and efficiency upgrade. The Group will put more efforts in energy saving and consumption reduction, actively apply mature new technology in energy saving, further reduce key energy consumption indicators such as coal consumption for power supply, and uplift the comparative competitiveness of generating units.
6. To promote establishment and improvement of internal control system, establish reasonable and complete internal control structure and assessment system as required by regulatory body and in accordance with the Company's actual condition.

**Chen Jianhua**  
*Executive Director and General Manager*

Beijing, the PRC  
30 March 2011



**Chen Jianhua**  
*Executive Director and  
General Manager*

# Directors, Supervisors and Senior Management

## DIRECTORS



**Mr. Yun Gongmin**, Chinese, born in September 1950, graduated from the Heat Energy Engineering Department of Tsinghua University majoring in Auto Manufacturing. He is currently Chairman of the Company, the general manager of China Huadian Corporation ("China Huadian") and the chairman of the board of directors of Yunnan Jinshajiang Midstream Hydropower Development Co., Ltd. Mr. Yun had served as deputy chief and chief of Yikezhao Banner of Inner Mongolia and general secretary of Yikezhao Banner Committee of CPC and director of the Working Committee of the People's Congress of Yikezhao Banner, vice chairman of Inner Mongolia Autonomous Region, deputy governor and deputy secretary of party committee of Shanxi Province, vice chairman and deputy secretary of party committee of Shenhua Group Corporation Limited. Mr. Yun has over 31 years of experience in government administration and industry management.



**Mr. Chen Feihu**, Chinese, born in July 1962, graduated from Renmin University of China with a Bachelor's degree. He is currently the vice chairman of the Company as well as the deputy general manager of China Huadian. Mr. Chen had served in the Production and Finance Division of Finance Bureau of Ministry of Electric Power and Industry, the Production and Finance Department of Finance Bureau of Ministry of Water Resources and Electric Power, Electric Enterprise Division of Economic Regulation Bureau of Ministry of Energy, Production Division of Finance Department of China Electricity Council, Economic Regulation Division of Economic Regulation Bureau of the Ministry of Electric Power, Fujian Provincial Bureau of Electricity Industry, Economic Regulation Bureau of the Ministry of Electric Power, State Power Corporation. He has 30 years' experience in electricity generation, public finance, banking and finance and macro economic management, etc.



**Mr. Chen Dianlu**, Chinese, born in October 1954, graduated from Shandong Chemical College with a Master's degree, is currently serving as the vice chairman of the Company and a director and a deputy general manager of Shandong Luxin Investment Holdings Group Co., Ltd.. Mr. Chen had served as the head of the Resource Department of Shandong Development and Planning Commission, the manager of the Fund Finance Department, assistant general manager and deputy general manager of Shandong International Trust and Investment Corporation and a director and deputy general manager of Shandong Luxin Investment Holdings Co., Ltd.. Mr. Chen has 29 years' experience in trust, investments and similar related work.



## Directors, Supervisors and Senior Management (Continued)



**Mr. Chen Jianhua**, Chinese, born in May 1960, a senior engineer with a doctorate degree, is currently a director and the general manager of the Company. Mr. Chen graduated from Xi'an Jiaotong University. He has 29 years' experience in power generation, operating management and securities finance. Before joining the Company, Mr. Chen had worked at Qingdao Power Plant and Shandong Electric Power Group Corporation.



**Ms. Wang Yingli**, Chinese, born in September 1961, is a senior engineer and holds a MBA degree. She is currently a director of the Company, and the deputy general manager of Shandong International Trust Corporation. She is also a director of Jinan International Airport Co., Ltd., Shandong Nuclear Power Company Ltd., respectively, and a supervisor of Shandong Airline Group Co., Ltd.. Ms Wang commenced her job career in 1981. Ms Wang has 29 years' experience in macroeconomics, trust and investment management. Ms. Wang had worked at Shandong University and Shandong International Trust Corporation.



**Mr. Chen Bin**, Chinese, born in November 1958, an senior engineer with a Bachelor's degree in Law, is currently a director of the Company, the head of Marketing Department of China Huadian, a director of Huadian Coal Industry Group Company Limited ("Huadian Coal") as well as a director of Shanghai Huadian Power Development Company Limited. Graduated from Hebei University, Mr. Chen has 30 year's experience in power management. Mr. Chen joined the People's Liberation Army of China in 1976. From 1980, Mr. Chen has successively held such positions as secretary of the Committee of CPC, technician and deputy head of Overhaul Section of Hangzhou Zhakou Power Plant, secretary and deputy head of Working Office of Power Bureau of Zhangjiang Province, deputy factory manager and factory manager of Hangzhou Banshan Power Plant, general manager and party secretary of Hangzhou Banshan Power Generation Company Limited, and head and party secretary of Zhejiang Representative Office of China Huadian Corporation.



## Directors, Supervisors and Senior Management (Continued)



**Mr. Zhong Tonglin**, Chinese, born in February 1960, is a senior engineer. Mr. Zhong graduated from Xi'an Jiaotong University with a Master's degree. He is currently a director and deputy general manager of the Company. He is also the vice chairman of Ningxia Power Generation Group. Mr. Zhong has 28 years' experience in electric power infrastructure, design, management and securities finance. Before joining the Company, Mr. Zhong had worked at the Shandong Electric Power Design Institute, the Shandong Electric Power Infrastructure Company, Shandong No.3 Electric and Construction Company and Shandong Electric Power Group Corporation.



**Mr. Chu Yu**, Chinese, born in August 1963, an engineer, graduated from Shanghai Electric Power College. He is currently serving as a director of the Company and the head of Financial and Risk Management Department of China Huadian, a director of Huadian Coal, Huadian Property Co., Ltd., Huadian Tendering Co. Ltd, Huadian Energy Corporation Limited and Guizhou Wujiang Hydropower Development Company Limited. He had worked at Yangzhou Power Plant, Yangzhou Power Generation Co., Ltd., China Huadian Jiangsu Branch and China Huadian. He has 26 years' experience in electric power generation and operation management.



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



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

## Directors, Supervisors and Senior Management (Continued)



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



**Mr. Yang Jinguan**, Chinese, born in April 1963, is professor in accounting. Mr. Yang graduated from the Accounting Department of Central College of Public Finance initially with a Bachelor's degree in Economics in July 1983 and then with a Master's degree in Economics in July 1988. He is currently an independent director of the Company and the director of the Academic Affairs of Central University of Finance and Economics. He is also a director of China Certified Tax Agents Association, an executive director of China Institute of Internal Audit, a member of China Accounting Society and a non-practicing member of Chinese Institute of Certified Public Accountants (non-practicing CPA in China). He served as the general secretary to the party committee of the Accounting School of Central University of Finance and Economics, vice dean of the Accounting School of Central University of Finance and Economics.

### SUPERVISORS



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



**Mr. Peng Xingyu**, Chinese, born in February 1962, is a Chinese Certified Public Accountant and a senior accountant. He graduated from Wuhan University with a Master's degree in Economics. He is currently a supervisor of the Company and chief auditor of China Huadian. He is also a supervisor of Huadian Coal Industry Group Company Limited. Mr Peng had worked at Huazhong Electric Power Management Bureau, China Huazhong Electric Power Group Company and Hubei Electric Power Company. He has 29 years' experience in the fields of power finance, assets, corporate operation and capital operation.



**Mr. Chen Bin**, Chinese, born in September 1973, graduated from Guanghua School of Management, Peking University with a Master's degree in Economics. He currently serves as a supervisor of the Company and Director of the Work Committee of the Company. Mr. Chen had served as Deputy Director of the Secretariat of the General Manager Office of China Guodian Corporation and Assistant to General Manager of Guodian Finance Corporation Ltd. in succession. Mr. Chen has 15 years' experience in power generation industry. Mr. Chen has been an employee representative supervisor of the Company since 28 April 2010.

## Directors, Supervisors and Senior Management (Continued)



**Ms. Zheng Feixue**, Chinese, born in November 1955, a senior political engineer, graduated from the Northeast Electricity College majoring in power plant and electricity system. She was a supervisor of the Company and an investigator of the Shandong Branch of the Company. Ms. Zheng started her career in 1982 and used to work at Zouxian Power Plant and Shiliquan Power Plant. She has 28 years' experience in electricity generation and management. Ms. Zheng ceased to act as an employee representative supervisor of the Company due to work re-allocation since 28 April 2010.

## COMPANY SECRETARY



**Mr. Zhou Lianqing**, Chinese, born in November 1960, is a senior engineer and a graduate from Shandong University with a Master's degree. He is currently the secretary to the Board of the Company and an associate member of the Hong Kong Institute of Company Secretaries. Mr. Zhou started his working career in 1982. Before joining the Company, Mr. Zhou had worked at the Shandong Xindian Power Plant and Shandong Electric Power Group Corporation. He has 28 years' experience in electric power generation, management, laws and regulations, finance, investor relations and securities management.

## SENIOR MANAGEMENT



**Mr. Wang Wenqi**, Chinese, born in March 1963, is a senior engineer with a Master's degree. He is currently a deputy general manager of the Company, the vice chairman of Sichuan Luzhou Chuannan Power Generation Company Limited as well as a director of Huadian Coal Group Company Limited. Mr. Wang graduated from Baylor University in United States of America. He has 28 years' experience in electric power examination, research, management and securities finance. Before joining the Company, Mr. Wang had worked at the Shandong Electric Power Science and Research Institute and Shandong Electric Power Group Corporation.



**Mr. Wang Hui**, Chinese, born in January 1964, who is a graduate student, is currently serving as a Deputy General Manager of the Company, the general manager of Sichuan Huadian Luding Hydropower Company Limited as well as a director of Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited and Hudian Jinshajiang Upstream Hydropower Development Co. Ltd.. Mr. Wang graduated from Tsinghua University in Beijing and started his career in 1985, having 25 years' experience in hydropower generation design, infrastructure, production, operation and management. Before joining the Company, Mr. Wang successively served in Qinghai Longyangxia No.4 Engineering Bureau of the Ministry of Hydraulic and Electric Engineering, Qinghai Lijiaxia No.4 Engineering Bureau project office of the Ministry of Hydraulic and Electric Engineering, Comprehensive Office Of Hydropower Development Department of the Ministry of Energy, Hydropower Development Section of Hydropower and Agriculture Electricity Department of the Ministry of Power, Hydropower Development Section of Hydropower Department of State Electric Power Corporation, New Energy Section of Hydropower Department of State Electric Power Corporation, Quality and Technology Section of Power Department of State Electric Power Corporation, Hydro Power Section of Power Department of State Electric Power Corporation and Technical Section of Engineering Technology Department of China Huadian.



## Directors, Supervisors and Senior Management (Continued)



**Mr. Peng Guoquan**, Chinese, born in October 1966, a senior engineer with a Master's degree, is currently a deputy general manager of the Company. Mr. Peng graduated from Huazhong University of Science and technology, majoring in thermal energy and power. Mr. Peng has 21 years' experience in power generation and management. Before joining in the Company, Mr. Peng had served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Company Limited.



**Mr. Xing Shibang**, Chinese, born in June 1960, a senior engineer and graduate student, is currently the deputy general manager of the Company. Mr. Xing graduated from Xi'an Jiaotong University majoring in Business Administration in 2005. Mr. Xing has 29 years' experience in power generation, operation and management. Mr. Xing had served as electricity operating director and director of Power Generation Department of Shiliquan Plant, the head of Production Department of Huadian Power International Corporation Limited, factory manager of Laicheng Plant and general manager of Huadian Weifang Power Generation Company Limited.



**Mr. Chen Cunlai**, Chinese, born in November 1962, a Master's degree holder, senior economist and senior accountant, is currently serving as the financial controller of the Company. Mr. Chen graduated from North China Electricity Power University majoring in Business Administration in 2001. Mr. Chen has 29 years' experience in power generation, operation management and financial management. Mr. Chen had served as director of Planning and Budgeting Department, deputy chief economist, deputy chief accountant and assistant to factory manager of Zouxian Plant. He had also served as the head of Supervision & Audit Department, the head of HR Administration Department, deputy chief accountant and the head of Financial Department of Huadian Power International Corporation Limited.



**Mr. Xie Yun**, Chinese, born in November 1963, a senior engineer, graduated from Thermal Engineering Department of Tsinghua University with a Bachelor's degree. He is currently the chief engineer of the Company. Before joining the Company, Mr. Xie successively served in the Huabei Electricity Research Institute, Safe Production Department of the Ministry of Power, Generation and Transmission Operation Department of State Electric Power Corporation and Production Operation Department of China Huadian Corporation. He has 24 years' work experience in scientific research, production and management of electric power.

# Management Discussion and Analysis

## (1) MACROECONOMIC CONDITIONS

According to relevant information and statistics, the gross domestic product ("GDP") of the PRC in 2010 amounted to RMB39,798.3 billion, representing an increase of 10.3% over 2009. Power consumption of the whole society totalled 4,192.3 million MWh, representing an increase of 14.56% over 2009, of which the consumption of the primary, secondary and tertiary industries accounted for 98.4 million MWh, 3,131.76 million MWh and 449.67 million MWh, respectively, representing a year-on-year increase of 4.73%, 15.4% and 14%, respectively.

Currently, the Company's power generating units in operation or under construction are located in Shandong, Sichuan, Ningxia, Anhui, Henan, Hebei, Zhejiang, Inner Mongolia, and Guangdong Provinces/Autonomous Regions, where economy grew rapidly and GDP maintained admirable growth momentum in recent years. Based on comparable prices, the GDP growth rates of Shandong, Sichuan, Ningxia, Anhui, Henan, Hebei, Zhejiang, Inner Mongolia and Guangdong Provinces/Autonomous Regions in 2010 reached 12.5%, 15.1%, 13.4%, 14.5%, 12.2%, 12.2%, 11.8%, 14.9% and 12.2%, respectively. Their GDP growth rates outperformed the national average by 2.2, 4.8, 3.1, 4.2, 1.9, 1.9, 1.5, 4.6 and 1.9 percentage points, respectively.

## (2) TURNOVER

In 2010, the Group strengthened the management, strove for planned output, optimized dispatch and achieved a considerable increase in power generation. The total on-grid power sold by the Group for the year was 121.30 million MWh, representing an increase of approximately 21.35% over 2009. Turnover for the year amounted to RMB45,198 million, representing an increase of approximately 24.00% over 2009. The increase in turnover was mainly due to the growth in volume of power sold.

## (3) MAJOR OPERATING EXPENSES

In 2010, the operating expenses of the Group amounted to approximately RMB43,471 million, representing an increase of approximately 35.10% over 2009. This was mainly attributable to more power generation and higher fuel costs as a result of significant increase in coal price.

The principal contribution to the operating expenses of the Group was fuel costs, which amounted to RMB32,959 million in 2010, accounting for approximately 75.82% of the Group's operating expenses and representing an increase of approximately 45.70% over 2009. This was mainly due to the combined effects of the higher coal prices and more power generation.

Depreciation and amortisation expenses of the Group amounted to RMB4,677 million in 2010, representing an increase of approximately 13.51% over 2009. This was mainly due to the increase in depreciation expenses arising from the newly acquired power enterprises and the commencement of operation of new generating units.

Personnel costs of the Group amounted to RMB1,949 million in 2010, representing an increase of approximately 10.37% over 2009, mainly due to the increase in staff arising from the newly acquired power enterprises and the commencement of operation of new generating units.

## (4) INVESTMENT INCOME

Investment income of the Group amounted to RMB505 million in 2010, representing an increase of approximately RMB480 million over 2009, mainly due to income of approximately RMB450 million from disposal of associates, namely 3.3% equity interests in China Huadian Coal Group Company Limited\*, and 2.46% equity interests in Huadian Fuxin Energy Company Limited\*.

## (5) OTHER INCOME

Other net income of the Group amounted to RMB932 million in 2010, representing an increase of approximately RMB814 million over 2009, mainly due to income of RMB621 million from the acquisition of equity interest in certain heat companies in Shijiazhuang held by Shijiazhuang Energy Investment Development Centre ("Energy Investment Centre") at nil consideration. Energy Investment Centre transferred part of the interests in debts due from the heat companies to the Group simultaneously. As a result of the aforesaid business combination, the Group recognized income of RMB621 million.

## (6) PROFIT OF ASSOCIATES

In 2010, profit of Associates attributable to the Group amounted to RMB323 million, representing an increase of approximately 51.97% over 2009, mainly due to increased income from coal mines the Group invested in.

## (7) FINANCE COSTS

Finance costs of the Group in 2010 amounted to RMB3,315 million, representing an increase of approximately 11.58% over 2009. This was mainly attributable to the effect of the newly acquired power enterprises and the finance costs of new generating units being charged in income statement since the commencement of operation.



## Management Discussion and Analysis (Continued)

### (8) PLEDGE OF ASSETS

As at 31 December 2010, the Company's subsidiaries, including Guang'an Company, Qingdao Company, Lingwu Company, Wuhu Company, Zangunao Hydroelectric Company and Suzhou 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 RMB12,525 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 31 December 2010, the plants and equipments of Pingshi Power Company were mortgaged to secure its loans amounting to RMB2,005 million.

### (9) INDEBTEDNESS

As at 31 December 2010, the total loans of the Group amounted to RMB81,725 million, of which loans denominated in US dollars amounted to US\$206 million and loans denominated in EUR amounted to EUR24 million. The liabilities to assets ratio was 82.99%, approximately 4.03 percentage points higher than that in 2009. Loans of the Group were mainly floating rate loans. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB31,565 million, and long-term borrowings due after one year amounted to approximately RMB50,160 million. In addition, the closing balance of short-term debenture payables of the Group amounted to approximately RMB3,009 million and the medium-term notes payables amounted to approximately RMB5,346 million.

### (10) CONTINGENT LIABILITIES

As at 31 December 2010, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to approximately RMB175 million to Sichuan Huayingshan Longtan Coal Power Company Limited, an associate of Guang'an Company. Shijiazhuang Xijiao Heat Company Limited provided guarantees to banks for loans amounting to RMB23 million to Shijiazhuang Guangming Zhengda Dailyused Chemical Company Limited\*. Save as disclosed above, the Group had no other material contingent liabilities.

### (11) CASH AND CASH EQUIVALENTS

As at 31 December 2010, the Group had cash and cash equivalents of approximately RMB1,236 million.

### (12) CASH FLOW ANALYSIS

In 2010, the net decrease in consolidated cash and cash equivalents of the Group amounted to approximately RMB6.14 million. In particular, the net cash inflow from operating activities amounted to approximately RMB2,080 million, decreased by RMB1,014 million from 2009, mainly due to the increase in coal costs significantly outpacing the growth in income of the Group in 2010; the net cash outflow used in investing activities amounted to approximately RMB19,037 million, increased by RMB1,849 million from 2009, mainly due to the increase in projects under construction and external investment of the Group in 2010 as compared to 2009; the net cash inflow from financing activities amounted to approximately RMB16,950 million, increased by RMB3,484 million from 2009, mainly due to increase in debt financing by the Group in 2010.

### (13) SAFE OPERATION

In 2010, the Group maintained its operational safety at a decent level. For the year ended 31 December 2010, all power plants of the Group had achieved operational safety throughout the year. In particular, Tengzhou Company had achieved over 4,800 consecutive days of accident free production; Qingdao Company and Zibo Company had achieved over 4,500 consecutive days of accident-free production; Weifang Company, Laicheng Plant and Century Power Company had achieved over 4,000 consecutive days of accident-free production; Zouxian Plant had achieved over 3,700 consecutive days of accident-free production; Shiliquan Plant, Shijiazhuang Thermal Power Company and Hebei Hydropower Company had achieved over 2,400 consecutive days of accident-free production.

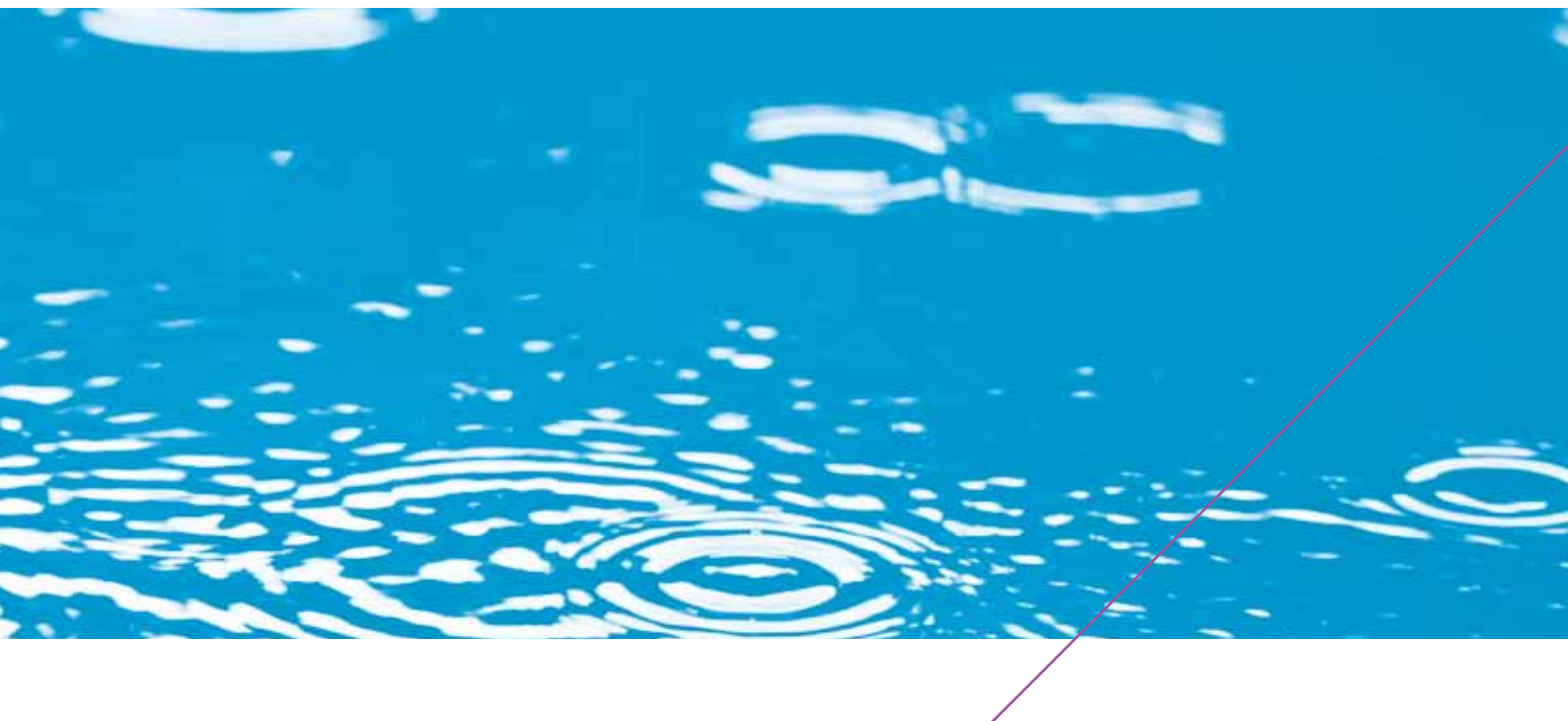
### (14) ENERGY SAVING AND ENVIRONMENTAL PROTECTION

In 2010, the Group continued to strengthen its efforts on environmental protection and proactively built itself as a resource-conservation and environmental friendly enterprise. According to the emission reduction data approved by the Ministry of Environmental Protection of the PRC, the Group's average emission of sulphur dioxide achieved a year-on-year decrease of 0.44 g/kWh. As at the end of 2010, a total of 23,934MW generating units controlled by the Group were equipped with desulphurisation facilities, representing 99.54% of all coal-fired generating units in operation.

### (15) INVESTMENT IN COAL MINES

Since 2010, the Group continued to intensify its investment in the coal industry. In Shanghaimiao mining area of western Inner Mongolia, the Group further strengthened strategic cooperation with Xinwen Mining Group Co., Ltd. In addition, the Group increased investment in coal industry in Shanxi Province and vigorously participated in the coal resources consolidation in Shanxi. The acquisition and consolidation of coal resources played a positive role in the Company's expansion into the upstream industry and secured coal supply of the Company's power plants.

For details, please refer to the paragraph (4) under the section headed " Significant Events " in the Directors Report of this annual report.



# Directors Report

The board of the Company (the "Board") has pleasure in submitting the annual report together with the audited financial statements of the Group for the year ended 31 December 2010.

## PRINCIPAL ACTIVITIES

The Group is principally engaged in the generation and sale of electricity and heat. All electricity generated is supplied to the grid companies where the plants are located. As the Group principally has one reportable segment, which is the generation and sale of electricity and heat in the PRC, therefore, no additional reportable segment has been presented and no additional information about geographical areas were included in the above mentioned financial statements. The profit of the Group for the year ended 31 December 2010 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 36 to 87 of the annual report.

## STATUTORY SURPLUS RESERVE

According to the Company's Articles of Association (the "Articles of Association"), the Company is required to transfer at least 10% (at the discretion of the Board) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after the issue of new shares is not less than 25% of the registered capital. On 30 March 2011, the Board resolved to transfer 10% of the annual profit after tax as determined under the PRC accounting rules and regulations, amounting to approximately RMB47,541,000 (2009: RMB13,404,000), to the statutory surplus reserve.

## DIVIDENDS

Pursuant to a resolution passed at the Board meeting held on 30 March 2011, given our higher gearing ratio and substantial needs for financing business development, the Board does not propose distribution of any final dividend by the Company to shareholders for the financial year ended 31 December 2010, the proposal will be subject to the approval of the shareholders in the upcoming annual general meeting.

## RESOLUTIONS PASSED AT THE BOARD MEETINGS IN 2010

In 2010, the Board convened a total of 8 board meetings, details of which are summarized as follows:

1. The 15th meeting of the fifth session of the Board was convened on 26 March 2010, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities and Securities Times on 29 March 2010.
2. The Company held the 16th meeting of the fifth Board on 28 April 2010. The meeting was presided over by Mr. Yun Gongmin, the Chairman of the Company, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was legal and effective. Mr. Li Xiaopeng, Chairman of the Supervisory Committee, Mr. Peng Xingyu and Mr. Chen Bin, both Supervisors, attended the meeting as non-voting participants. Working report for the first quarter of 2010 was debriefed at the meeting. At the meeting, the 2010 first quarterly report prepared in accordance with requirements of China Securities Regulatory Commission ("CSRC") and China Accounting Standards for Business Enterprises was considered and approved; and the Secretary to the Board was authorized to make amendments at his discretion and timely publish the quarterly report in accordance with relevant regulations of the Rules Governing the Listing of Securities on Shanghai Stock Exchange and relevant requirements of the Stock Exchange of Hong Kong Limited.
3. The Company held the 17th meeting of the fifth Board on 8 June 2010. The meeting was presided over by Mr. Chen Feihu, the Vice Chairman of the Company, which was attended by the Company's 12 Directors in person. Mr. Yun Gongmin appointed Mr. Cheng Feihu, Mr. Chen Dianlu appointed Ms. Wang Yingli, Mr. Chu Yu appointed Mr. Chen Bin respectively to attend the meeting on their behalves. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was legal and effective. Mr. Li Xiaopeng, Chairman of the Supervisory Committee, and Mr. Peng Xingyu, a Supervisor, attended the meeting as non-voting participants. Report on accelerating participation in capacity expansion of the coal fields in the west zone of the Shanghaimiao mining area was debriefed at the meeting. The proposal in relation to accelerating participation in capacity expansion of the coal fields in the west zone of the Shanghaimiao mining area was considered and approved.
4. The 18th meeting of the fifth session of the Board was convened on 26 August 2010, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities and Securities Times on 27 August 2010.
5. The Company held the 19th meeting of the fifth Board of Directors on 13 October 2010. Mr. Yun Gongmin, the Chairman of the Company, presided over the meeting, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was legal and effective. Mr. Li Xiaopeng, Chairman of the Supervisory Committee, Mr. Peng Xingyu and Mr. Chen Bin, both Supervisors, attended the meeting as non-voting participants. The proposal for the connected transaction in relation to capital increase in Huadian Fuxin Energy Company Limited with equity interest in Huadian New Energy held by the Company was considered and approved.
6. The Company held the 20th meeting of the fifth Board on 26 October 2010. Mr. Yun Gongmin, the Chairman of the Company, presided over the meeting, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was legal and effective. Mr. Li Xiaopeng, Chairman of the Supervisory Committee, Mr. Peng Xingyu and Mr. Chen Bin, both Supervisors, attended the meeting as non-voting participants. Working report for the third quarter of 2010 was debriefed at the meeting. The 2010 third quarterly report and its summary prepared in accordance with requirements of CSRC and China Accounting Standards for Business Enterprises was considered and approved at the meeting and the Secretary to the Board was authorized to make amendments at his discretion and timely publish the quarterly report in accordance with relevant regulations of the Rules Governing the Listing of Securities on Shanghai Stock Exchange and relevant requirements the Stock Exchange of Hong Kong Limited.
7. The Company held the 21st meeting of the fifth Board on 29 November 2010. Mr. Yun Gongmin, the Chairman of the Company, presided over the meeting, which was attended by the Company's 12 Directors in person. In compliance with relevant laws, regulations and the Articles of Association of the Company, the meeting was legal and effective. Mr. Li Xiaopeng, Chairman of the Supervisory Committee, Mr. Peng Xingyu and Mr. Chen Bin, both Supervisors, attended the meeting as non-voting participants. Report on disposal and acquisition of certain equity interests in the Company was debriefed at the meeting. It was approved that the Company would list 2.46% equity interest in Fuxin Energy and 3.5% equity interest in Huadian Coal held by the Company for sale with reference to the appraised value, and the Company would acquire equity interests in 6 heat companies at the base price which were listed by Shijiazhuang Energy Investment Development Centre ("Energy Investment Centre") for public bidding.
8. The 22nd meeting of the fifth session of the Board was convened on 28 December 2010, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities and Securities Times on 29 December 2010.

Details of the relevant transactions mentioned above which were proceeded with or completed in 2010 are set out in the section headed "Significant Events" of this annual report.

## Directors Report (Continued)

### SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

Particulars of the Company's subsidiaries, associated companies and jointly controlled entities as at 31 December 2010 are set out in notes 22, 23 and 24 respectively to the financial statements prepared in accordance with IFRSs included in this annual report.

### BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group and the Company as at 31 December 2010 are set out in note 31 to the financial statements prepared in accordance with IFRSs included in this annual report.

### INTEREST CAPITALISED

Details relating to the interest capitalised by the Group during the year 2010 are set out in note 9 to the financial statements prepared in accordance with IFRSs included in this annual report.

### PROPERTY, PLANT AND EQUIPMENT

Details relating to movements in property, plant and equipment of the Group and those of the Company during the year 2010 are set out in note 18 to the financial statements prepared in accordance with IFRSs included in this annual report.

### RESERVES

Details relating to movements in reserves of the Group and the Company for the year ended 31 December 2010 are set out in the consolidated statement of changes in shareholders' equity in the financial statements prepared and note 36(a) to the financial statements prepared in accordance with IFRSs included in this annual report respectively.

### DONATIONS

During the year of 2010, the Group made donations for charitable purposes in an aggregate amount of approximately RMB1,215,000 (2009: RMB4,730,000).

### EMPLOYEES' RETIREMENT PLANS

Details of the employees' retirement plans of the Group are set out in note 38 to the financial statements prepared in accordance with IFRSs included in this annual report.

### EMPLOYEES' MEDICAL INSURANCE

During 2010, there was no change in employees' medical insurance of the Group as compared with that of 2009. The Group anticipates that implementation of the above medical insurance will not have any significant impact on the business operation and financial position of the Group. Apart from the above contributions, the Group is not required to pay any other medical expenses for its staff.

### PRE-EMPTIVE RIGHTS

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

### SHARE CAPITAL

Details of the share capital of the Company for the year 2010 and as at 31 December 2010 are set out in the Company's statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRSs and note 36(c) to the financial statements prepared in accordance with IFRSs included in this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

During the financial year of 2010, details regarding the percentages of the Group's sales and purchases attributable to its major customers and major suppliers, respectively, are as follows:

	Approximate Percentage in the Group's	
	Sales	Purchases
The largest customer	52.02%	
The five largest customers combined	79.11%	
The largest supplier		11.61%
The five largest suppliers combined		21.81%

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

## Directors Report (Continued)

## SUBSTANTIAL SHAREHOLDERS

So far as the Directors are aware, each of the following persons, not being a Director, supervisor of the Company ("Supervisor"), chief executive or member of the Company's senior management, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 31 December 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 31 December 2010, interested in 5% or more of any class of the then issued share capital of the Company, or was, as at 31 December 2010, a substantial shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules")) of the Company:

Name of Shareholder	Class of Shares	Number of Shares Held	Equity as at 31 December 2010		
			Approximate Percentage Shareholding in the Company's Total Issued Share Capital	Approximate Percentage Shareholding in the Company's Total Issued A Shares	Approximate Percentage Shareholding in the Company's Total Issued H Shares
China Huadian	A shares	3,111,061,853	45.95%	58.26%	—
	H shares	85,862,000 (L) (Note 1)	1.27%	—	6.00%
Shandong International Trust Corporation	A shares	800,766,729	11.83%	15.00%	—

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

Note:

1. H shares were held in name of HKSCC Nominees Limited and directly held through its wholly-owned subsidiary, China Huadian Hong Kong Co., Ltd..

Save as disclosed above and so far as the Directors are aware, as at 31 December 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 Hong Kong Listing Rules) of the Company.

## SUFFICIENCY OF PUBLIC FLOAT

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

## DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, Supervisors and senior management of the Company for the financial year ended 31 December 2010. All Directors and Supervisors are currently serving a term of three years, renewable upon re-election and re-appointment every three years.

Name	Position in the Company	Changes
Yun Gongmin	Chairman, Non-executive Director	Appointed at the AGM held on 30 June 2008
Chen Feihu	Vice Chairman, Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Chen Dianlu	Vice Chairman, Non-executive Director	Appointed at the EGM held on 22 December 2009
Chen Jianhua	Executive Director, General Manager	Reappointed upon election at the AGM held on 2 June 2008
Wang Yingli	Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Chen Bin	Non-executive Director	Reappointed upon election at the AGM held on 30 June 2008
Zhong Tonglin	Executive Director, Deputy General Manager	Reappointed upon election at the AGM held on 30 June 2008
Chu Yu	Non-executive Director	Appointed at the AGM held on 30 June 2008
Wang Yuesheng	Independent Non-executive Director	Appointed at the AGM held on 2 June 2009
Hao Shuchen	Independent Non-executive Director	Appointed at the AGM held on 2 June 2009
Ning Jiming	Independent Non-executive Director	Appointed at the AGM held on 2 June 2009
Yang Jinguan	Independent Non-executive Director	Appointed at the AGM held on 2 June 2009
Li Xiaopeng	Chairman of the Supervisory Committee	Appointed at the AGM held on 30 June 2008
Peng Xingyu	Supervisor	Appointed at the AGM held on 30 June 2008
Chen Bin	Supervisor	Elected by employees of the Company on 28 April 2010
Zheng Feixue*	Supervisor	Reappointed upon election at the AGM held on 30 June 2008
Zhou Lianqing	Secretary to the Board	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Wang Wenqi	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Wang Hui	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Peng Guoquan	Deputy General Manager	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008
Xing Shibang	Deputy General Manager	Appointed on the ninth meeting of the fifth session of the Board held on 2 June 2009
Chen Cunlai	Chief Accountant	Appointed on the ninth meeting of the fifth session of the Board held on 2 June 2009
Xie Yun	Chief Engineer	Appointed on the first meeting of the fifth session of the Board held on 30 June 2008

\* Ms. Zheng Feixue was no longer a Supervisor with effect from 28 April 2010.

## Directors Report (Continued)

The Directors' and Supervisors' remunerations for the year ended 31 December 2010 are set out in note 52 of the financial statements prepared in accordance with IFRSs included in this annual report.

The biographical details of the existing Directors, Supervisors and members of senior management of the Company, including essentially the particulars required under paragraph 12 of Appendix 16 to the Hong Kong Listing Rules (if and as applicable and appropriate), are set out on pages 12 to 15 in this annual report.

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

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

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

During the year of 2010 and as at 31 December 2010, none of the Directors, Supervisors, chief executives or members of senior management of the Company or any of their respective spouses or children under 18 years of age were granted any right, and the Company (or its subsidiaries, holding company or subsidiaries of its holding company) had not made and was not a party to any arrangement enabling any of them, to subscribe for any share capital or debt securities of the Company or any other body corporate.

### DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

### SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

### MANAGEMENT CONTRACT

In 2010, there was no management or administration contract in respect of all or substantial part of the Company's business.

### SIGNIFICANT EVENTS

Significant events of the Company during the period from 1 January 2010 to the date of this report are as follows:

#### (1) Appointments and Resignations of Supervisors

Ms. Zheng Feixue, an employee representative supervisor of the fifth Supervisory Committee of the Company, has tendered her resignation as an employee representative supervisor due to work re-allocation. On 28 April 2010, the employees of the Company democratically elected Mr. Chen Bin to replace Ms. Zheng Feixue 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 announcement of the Company dated 28 April 2010.

#### (2) Acquisition of 84.31% Equity Interest in Century Power Company

On 28 April 2010, the Company entered into the Century Power Equity Transfer Agreement with Zhengda Energy Development (China) Co., Ltd. ("Zhengda Energy"), pursuant to which Zhengda Energy would sell, and the Company would purchase, 84.31% equity interest in Century Power Company 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 announcement of the Company dated 28 April 2010.

#### (3) Acquisition of 100% Equity Interest in Pingshi Power Company

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 announcement of the Company dated 20 May 2010.

## Directors Report (Continued)

### (4) Investment in Coal Mines

Since 2010, the Group continued to intensify its investment in the coal industry. In Shanghaimiao mining area of western Inner Mongolia, the Group acquired a 20% equity interest in Otog Front Banner Zhengtai Trading Company Limited\* (Manghatu Coal Mine) at a consideration of RMB268 million and the present equity interests of which held by the Group amounts to 35% due to capital increase and a 35% equity interest in Otog Front Banner Baihui Trading Company\* (Heiliang Coal Mine) at a consideration of RMB570 million, and a 35% equity interest in Otog Front Banner Qianhui Trading Company Limited (Shazhangtu Coal Mine) at a consideration of RMB938 million. In addition, the Group actively increased investment in coal industry in Shanxi Province and vigorously participated in the coal resources consolidation in Shanxi. The Group acquired Antaipu Coal Mine assets at a consideration of RMB178 million and Jinneng Erpu Coal Mine assets at a consideration of RMB527 million. The Group integrated the Jinneng Erpu Coal Mine assets, the Antaipu Coal Mine and the Wantongyuan Erpu Coal Mine into one mine and established a new company, Maohua Wantongyuan Company, to operate the integrated mine, with a production capacity of 2.1 million tonnes per year. The Group acquired Bailu Coal Mine assets at a consideration of RMB550 million, Xijiazhai Coal Mine assets at a consideration of RMB800 million and Yibanling Coal Mine assets at a consideration of RMB239 million. The Group integrated the Bailu Coal Mine, the Xijiazhai Coal Mine and the Yibanling Coal Mine into one mine, which will have an aggregate annual production capacity of 1.2 million tonnes, and established Shanxi Shuozhou Pinglu Maohua Bailu Coal Company Limited\* to operate the integrated mine. The aforesaid investments played a positive role in the Company's expansion into the upstream industry and secured coal supply of the Company's power plants.

For details, please refer to the Company's announcements dated 10 August 2010, 19 August 2010, 31 August 2010, 26 November 2010 and 9 December 2010.

### (5) Change of Registered Address of the Company and Amendments to Relevant Articles of the Company's Articles of Association in Relation to the Registered Address of the Company

The Company's address in Jinan City is proposed to change from No.14 Jinsan Road Jinan City to No.14800 Jingshi Road Lixia District Jinan City (subject to the government's final approval). Relevant articles of the Company's Articles of Association in relation to the registered address of the Company were amended, which had been considered and approved at an EGM in 2010.

For details, please refer to the announcement of the Company dated 10 September 2010, circular dated 8 October 2010 and voting results announcement of 2010 EGM dated 26 October 2010.

### (6) Amendments to the Articles of Association

The amendments to the Articles of Association and relevant Codes of the Company were approved by shareholders at 2011 EGM held on 22 February 2011 in order to make the Articles of Association consistent with the requirements and changes of the applicable PRC law and regulations. As at the date of this report, the Company is filing such amendments with relevant authorities in PRC for approval and record.

For details, please refer to the announcement of the Company dated 30 December 2010, circular dated 26 January 2011 and voting results of 2011 EGM dated 22 February 2011.

### (7) Extraordinary General Meeting

The Company held the 2010 EGM on 26 October 2010. The Proposal regarding the Continuing Connected Transactions, the Resolution regarding the Connected Transaction of Formation of a Joint Venture Company between the Company and Shandong International Trust Corporation and the Resolution regarding the Proposed Amendments to the Articles of Association due to the Change of Registered Address of the Company were considered and approved at the meeting.

For details, please refer to the announcement of the Company dated 10 September 2010, circular dated 8 October 2010 and voting results of 2010 EGM dated 26 October 2010.

The Company held the 2011 EGM on 22 February 2011. The Resolution Regarding the Connected Transaction Constituted by Capital Increase in China Huadian Finance Corporation Limited by the Company, the Resolution Regarding Disposal of Equity Interests in Huadian Coal Industry Group Company Limited by the Company to China Huadian Corporation and the Resolution Regarding Amendments to Articles of Association and Relevant Codes were considered and approved.

For details, please refer to the announcement of the Company dated 30 December 2010, circular dated 26 January 2011 and voting results announcement of 2011 EGM dated 22 February 2011.

### (8) Acquisition of Heat Companies in Shijiazhuang

The Company acquired equity interests in heat companies through a bid in Hebei Equity Exchange where Energy Investment Center listed its equity interests in six heat companies for public bidding with a base price of RMB Nil, which include its 49% equity interests in Shijiazhuang Huadian Heat Company Limited, 49% equity interests in Shijiazhuang Huadian Yuhua Heat Company Limited, 100% equity interests in Shijiazhuang Yuxi Heat Company Limited, 51% equity interests in Shijiazhuang Shiguang Heat Company Limited, 48.8% equity interests in Shijiazhuang Xijiao Heat Company Limited and 77% equity interests in Shijiazhuang Beicheng Heat Company Limited. On 25 December 2010, the Company and Energy Investment Centre entered into equity transfer agreement and debt transfer agreement. Upon completion of the acquisition, the six heat companies will become subsidiaries of the Company.

For details, please refer to the announcement of the Company dated 25 January 2011.

## CONNECTED TRANSACTIONS

Connected transactions, as defined in the Hong Kong Listing Rules, entered into by the Group during the period from 1 January 2010 to the date of this report are as follows:

### (1) Purchase of Equipments from Guodian Nanjing Automation Co., Ltd. ("SAC")

On 3 March 2010, the Company entered into the Equipment Purchase Agreement with SAC, a non-wholly owned subsidiary of China Huadian, pursuant to which the Company would purchase and SAC would sell transducers, which would be 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 arms length negotiation, is RMB76,790,000.

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



## Directors Report (Continued)

### (2) The Project Contracts between Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited (“Luhua Company”) and China Huadian Engineering (Group) Company Limited (“Huadian Engineering”)

On 3 March 2010, Luhua Company engaged Huadian Engineering, a non-wholly owned subsidiary of China Huadian, to provide certain services and perform certain works in respect of the construction of the Desulphurization System and the Pre-desalting Disposal System by entering into several project contracts. The consideration under each project contract was agreed between the relevant parties through a tender process which was conducted in compliance with the relevant laws in the PRC and the management rules of the Company. The total consideration under the Project Contracts is 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) Formation of Laizhou Company with Shandong International Trust Corporation (“SITC”)

On 10 September 2010, the Company entered into an agreement with SITC to jointly establish Laizhou Company. Laizhou Company would mainly engaged in investment, construction, operation and management of Phase I of 2 x 1,000MW Coal-Fired Project. The two parties will jointly promote and invest in the subsequent expansion projects. The registered capital of Laizhou Company is RMB1.44 billion. The Company contributed RMB1.08 billion, representing 75% of total registered capital, and SITC contributed RMB360 million, representing 25% of total registered capital.

For details, please refer to the announcement of the Company dated 10 September 2010, circular dated 8 October 2010 and voting results announcement of 2010 EGM dated 26 October 2010.

### (4) Participation in Capital Increase and Reorganization of Huadian Fuxin Energy Company Limited (“Fuxin Energy”)

On 29 October 2010, the Company entered into the Agreement with China Huadian Corporation (“China Huadian”), Huadian Energy Corporation Limited (“Huadian Energy”), Guizhou Wujiang Hydropower Development Company Limited (“Wujiang Hydropower”), Huadian Engineering and Fuxin Energy for the capital increase and reorganization of Huadian Fujian Power Generation Company Limited (“Fujian Company”), which has been renamed as Fuxin Energy and which is a limited liability company currently wholly-owned by China Huadian. Pursuant to the Capital Increase and Reorganization Agreement, each of China Huadian, Huadian Energy, Wujiang Hydropower, Huadian Engineering and the Company would transfer their respective equity interests in China Huadian New Energy Development Company Limited (“New Energy Company”) to Fuxin Energy. Upon completion of such transfers and reorganization, the registered capital of Fuxin Energy, which is currently 100% contributed by China Huadian, would be increased and held approximately as to 88.87% by China Huadian, 3.59% by Huadian Energy, 3.59% by Wujiang Hydropower, 1.49% by Huadian Engineering and as to the remaining 2.46% by the Company. New Energy Company will become a wholly-owned subsidiary of Fuxin Energy.

For details, please refer to the announcement of the Company dated 29 October 2010.

### (5) Increase of Capital Contribution to China Huadian Corporation Finance Company Limited (“Huadian Finance”)

On 21 December 2010, the Company entered into the Capital Increase Agreement with Huadian Finance for the Company to contribute a sum of RMB499.9848 million to the Capital Increase of Huadian Finance (the Company subscribed RMB416.654 million registered capital at a subscription rate of RMB1.20 for each RMB1.00 registered capital). The remaining registered capital will be contributed by China Huadian and its relevant subsidiaries. The registered capital of Huadian Finance will be increased by RMB3,610 million to RMB5,000 million, which will be increased (i) as to RMB222.4 million by capitalizing the capital reserve of Huadian Finance and (ii) as to RMB3,387.6 million by capital contributions by the existing shareholders of Huadian Finance. Upon completion of the Capital Increase, the aggregate equity interest of the Company and Hangzhou Banshan Company in the enlarged registered capital of Huadian Finance will decrease from approximately 25.207% to approximately 16.46%.

For details, please refer to the announcement of the Company dated 21 December 2010.

### (6) Disposals of Certain Equity Interests in Fuxin Energy and Huadian Coal to China Huadian

On 29 November 2010, the Company listed the Huadian Coal Equity Interests on SUAEE for the disposal of 1.5% equity interest in Huadian Coal (project code: G310SH1005063) at a consideration of RMB210 million; 1.8% equity interest in Huadian Coal (project code: G310SH1005065) at a consideration of RMB252 million; 2.46% equity interest in Fuxin Energy (project code: G310SH1005068) at a consideration of RMB254.61 million; and 10% equity interest in CHD Power Plant Operation Company Limited (project code: G310SH1005066) at a consideration of RMB5,346,000. After public disclosure, China Huadian, controlling shareholder of the Company, won the bid for acquisition of equity interests in the aforesaid companies at a consideration of RMB7,219.56 million. The Company entered into equity transfer agreement with China Huadian in relation to the four disposals of equity interests.

For details, please refer to the announcement of the Company dated 29 December 2010, circular dated 26 January 2011 and voting results announcement of 2011 EGM dated 22 February 2011.

## CONTINUING CONNECTED TRANSACTIONS

Pursuant to the Hong Kong Listing Rules, the continuing connected transactions incurred by the Group for the year ended 31 December 2010 are as follows:

### (1) Continuing Connected Transactions in Relation to Coal Procurement Service with Huadian Coal

On 27 April 2010, the Company and Huadian Coal entered into an agreement, pursuant to which the Company appointed Huadian Coal, a non-wholly owned subsidiary of China Huadian, to provide management and coordination services in relation to coal procurement in the PRC for a total annual service fee not exceeding RMB63 million for the year ended 31 December 2010. The Company had entered into a similar coal procurement service agreement in 2009 with Huadian Coal.

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

For the year ended 31 December 2010, the actual coal procurement service provided by Huadian Coal to the Company did not exceed RMB63 million.

## Directors Report (Continued)

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

On 9 December 2009, the Company entered into a lease agreement with Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Real Estate"), a non-wholly owned subsidiary of China Huadian, pursuant to which the Company would lease some properties in Huadian Tower from Anfu Real Estate for three years commencing from 1 April 2009 to 31 March 2012, with the same annual rentals of approximately RMB49.00 million.

On 9 December 2009, the Company entered into a property management agreement with Huadian Technology & Trade Co., Ltd. ("Huadian Technology & Trade"), a non-wholly owned subsidiary of China Huadian, pursuant to which Huadian Technology & Trade would provide management services to the properties leased by the Company from Anfu Real Estate for three years commencing from 1 April 2009 to 31 March 2012, with the same annual management fees of approximately RMB7.06 million.

Pursuant to the Lease Agreement and Property Management Agreement, the annual amount payable to each of Anfu Real Estate and Huadian Technology & Trade by the Company for the three year from 1 April 2009 to 31 March 2012 in aggregate amounted to approximately RMB56.06 million.

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

For the year ended 31 December 2010, the annual fees to Anfu Real Estate and Huadian Technology & Trade were approximately RMB49.00 million and RMB7.06 million respectively.

### (3) Renewal of Financial Services Agreement with Huadian Finance

On 25 April 2008, the Company and Huadian Finance, a non-wholly owned subsidiary of China Huadian, entered into a financial services agreement, pursuant to which Huadian Finance agreed to provide the Group with deposit services, settlement services, loan services and other financial services subject to the terms and conditions provided therein. The Group's daily average deposit balance in Huadian Finance shall not exceed the monthly average loan balance provided by Huadian Finance to the Group and shall not exceed RMB1.50 billion. The financial services agreement will expire on 30 June 2011.

The Company renewed financial services agreement on 10 September 2010 with Huadian Finance, pursuant to which Huadian Finance will provide certain financial services to the Group for a term from 1 January 2011 to 31 December 2011. Upon taking effective, the new financial service agreement will replace the original financial service agreement. Under the new financial services agreement, the Group's daily average deposit balance in Huadian Finance shall not exceed the monthly average loan balance provided by Huadian Finance to the Group, and such amount shall not exceed RMB3.5 billion.

For details, please refer to the announcement of the Company dated 10 September 2010, circular dated 8 October 2010 and voting results announcement of 2010 EGM dated 26 October 2010.

For the year ended 31 December 2010, the Group's daily average deposit balance in Huadian Finance did not exceed the monthly average loan balance provided by Huadian Finance to the Group and did not exceed RMB1.50 billion.

### (4) Renewal of Coal Purchase Framework Agreement with Yanzhou Coal Mining Company Limited ("Yanzhou Coal")

The Company has been purchasing coal from Yanzhou Coal for power generation by Zouxian Company and other subsidiaries of the Company on a continuing basis. The Company and Yanzhou Coal entered into a coal purchase framework agreement on 23 April 2008. The proposed annual purchase caps were RMB6 billion, RMB8 billion and RMB8 billion for the year ended 31 December 2008, 2009 and 2010 respectively. The agreement expired on 31 December 2010.

In order to regulate the coal purchase of the Company, the Company and Yanzhou Coal renewed coal purchase framework agreement on 10 September 2010. The agreement was renewed for 3 years from 1 January 2011 to 31 December 2013, and the proposed annual cap will not exceed RMB8 billion, RMB8 billion and RMB8 billion respectively.

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

For details, please refer to the announcement of the Company dated 10 September 2010, circular dated 8 October 2010 and voting results announcement of 2010 EGM dated 26 October 2010.

For the year ended 31 December 2010, coal purchases from Yanzhou Coal did not exceed RMB8 billion.

### (5) Renewal of Coal Purchase Framework Agreement with Huainan Mining Industry (Group) Co., Ltd ("Huainan Mining")

In order to regulate the purchase of coal by the Company from Huainan Mining for power generation by the power plants of the Company in Anhui Province in the PRC, the Company entered into a coal purchase framework agreement with Huainan Mining on 10 November 2008. The proposed annual purchase caps were RMB0.67 billion, RMB4 billion and RMB4 billion respectively for the period from the effective date of the agreement to 31 December 2008 and for the years ended 31 December 2009 and 2010. The agreement expired on 31 December 2010.

In order to regulate the purchase of coal by the Company, the Company and Huainan Mining renewed coal purchase framework agreement on 10 September 2010. The existing term was 3 years from 1 January 2011 to 31 December 2013. The proposed annual caps shall not to exceed RMB4 billion, RMB4 billion and RMB4 billion respectively.

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

For details, please refer to the announcement of the Company dated 10 September 2010, circular dated 8 October 2010 and voting results announcement of 2010 EGM dated 26 October 2010.

For the year ended 31 December 2010, coal purchases from Huainan Mining did not exceed RMB4 billion.

## Directors Report (Continued)

### (6) The Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian

On 10 September 2010, the Company entered into the Coal, Equipments and Services Purchase (Supply) Framework Agreement ("Framework Agreement") with China Huadian. From 1 January 2011, Framework Agreement constitutes all framework agreements for purchase of coal, engineering equipment, system and product by the Group from China Huadian, or supply coal and services to China Huadian, and provision of coal purchase service, technical service, maintenance service, financial agent service, equity transaction intermediary service, CDM registration service by China Huadian to the Group, and replace any written or verbal framework agreement, intent letter, letter, memorandum or commitment between the Group and China Huadian. Term of the framework agreement is from 1 January 2011 to 31 December 2011. Pursuant to the framework agreement, annual cap for purchase of coal by the Group from China Huadian is RMB5 billion, annual cap for purchase of engineering equipments and products by the Group from China Huadian is RMB1.3 billion, annual cap for sales of coal and maintenance services to China Huadian by the Group is RMB1.2 billion and annual cap for provision of procurement services by the Group to China Huadian is RMB200 million.

For details, please refer to the announcement of the Company dated 10 September 2010, circular dated 8 October 2010 and voting results announcement of 2010 EGM dated 26 October 2010.

The Company has engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions No. (1) to No. (5) set out above in accordance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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

- (1) the Transactions were entered into by the Company in the ordinary and usual course of the Company's business;
- (2) the terms of the agreement governing the Transactions are no less favorable than those generally available from the independent third party providers with similar procurement scale under similar services;
- (3) the Transactions were conducted under normal commercial terms which are fair and reasonable and in the interests of the Company and its shareholders as a whole; and
- (4) the annual aggregate amount of transactions No. (1) to No. (5) has not exceeded the annual cap or daily average balance have not exceeded cap as disclosed in the announcements of the Company.

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its issued securities ("securities" has the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

### FINANCIAL SUMMARIES

Summaries of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2010 prepared in accordance with IFRSs are set out on page 88.

The Company is not aware of any matter taking place in the year ended 31 December 2010 that would be required to be disclosed under Rules 13.13 to 13.19 of the Listing Rules.

### MATERIAL LITIGATION

During the financial year of 2010, the Group was not involved in any material litigation or arbitration.

### DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2010, none of the Group's deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material time deposits which could not be collected by the Group upon maturity.

### AUDIT COMMITTEE

The Company's Audit Committee has reviewed the annual results of the Company for 2010 and the financial statements prepared under IFRSs for the year ended 31 December 2010.

### AUDITORS

The Company has not changed its auditors in any of the preceding three years. A resolution for the re-appointment of KPMG Huazhen and KPMG as the domestic and international auditors of the Company respectively for financial year of 2011 will be proposed at the forthcoming 2010 Annual General Meeting.

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

# Corporate Governance Report

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

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

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

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

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

- The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited\* by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited\* by Employees of the Company, which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Companies, as set out in Appendix 10 to the Hong Kong Listing Rules.
- In addition to the Audit Committee and the Remuneration and Appraisal Committee, the Company has established the Strategic Committee to stipulate the Working Procedures for the Strategic Committee.
- In the financial year of 2010, a total of 8 Board meetings were held by the Company.
- The Audit Committee comprises five members, including two non-executive Directors and three independent non-executive Directors.

## THE BOARD OF DIRECTORS

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

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

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

Name	Position in the Company
Yun Gongmin	Chairman, Non-executive Director
Chen Feihu	Vice Chairman, Non-executive Director
Chen Dianlu	Vice Chairman, Non-executive Director
Chen Jianhua	Executive Director
Wang Yingli	Non-executive Director
Chen Bin	Non-executive Director
Zhong Tonglin	Executive Director
Chu Yu	Non-executive Director
Wang Yuesheng	Independent Non-executive Director
Hao Shuchen	Independent Non-executive Director
Ning Jiming	Independent Non-executive Director
Yang Jinguan	Independent Non-executive Director

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

## Corporate Governance Report (Continued)

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

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

### CHAIRMAN AND GENERAL MANAGER

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

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

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

### THE BOARD MEETINGS

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

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

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

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

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

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

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

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

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

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

## Corporate Governance Report (Continued)

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

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

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

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

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

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

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

- (1) to preside over the production, operation and management of the Company, and to implement resolutions of the Board;
- (2) to formulate development plans, annual production and operation goals, annual financial budget scheme and budget implementation proposal, the Company's profit (after tax) distribution plan and loss recovery plan;
- (3) to implement the Company's annual business plans and investment schemes;
- (4) to formulate the scheme of the Company's internal management structure;
- (5) to formulate the Company's basic management system;
- (6) to formulate the Company's basic regulations;
- (7) to propose to appoint or dismiss the Company's deputy general manager and financial officers;
- (8) to appoint or dismiss the Company's senior management other than those to be appointed or dismissed by the Board;
- (9) to determine remuneration, bonus and penalties of employees of the Company and to determine appointment or dismissal of them;
- (10) to propose convening extraordinary meeting of the Board;
- (11) to handle significant business on behalf of the Company; and
- (12) to exercise other powers within the authorisation of Articles of Association and the Board.

## Corporate Governance Report (Continued)

The Company convened 8 Board meetings during the financial year from 1 January 2010 to 31 December 2010.

Name	Position	Number of Attendance (including by proxies)	Number of Meetings
Yun Gongmin	Chairman	8	8
Chen Feihu	Vice Chairman	8	8
Chen Dianlu	Vice Chairman	8	8
Chen Jianhua	Executive Director	8	8
Wang Yingli	Non-executive Director	8	8
Chen Bin	Non-executive Director	8	8
Zhong Tonglin	Executive Director	8	8
Chu Yu	Non-executive Director	8	8
Wang Yuesheng	Independent Non-executive Director	8	8
Hao Shuchen	Independent Non-executive Director	8	8
Ning Jiming	Independent Non-executive Director	8	8
Yang Jinguan	Independent Non-executive Director	8	8

### DIRECTOR'S RESPONSIBILITIES IN RESPECTIVE OF FINANCIAL STATEMENTS

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

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

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

### SECURITIES TRANSACTIONS BY DIRECTORS

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

After specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Company have complied with the relevant codes on securities transactions by directors and supervisors set out in the Model Code and the Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited during the year ended 31 December 2010.

### AUDIT COMMITTEE

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

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

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

The Audit Committee held 2 meetings on 24 March 2010 and 24 August 2010 respectively, the average attendance of which was 100%. The attendance of each Director was as follows:

Director	Times of Attendance/ Times of Meeting	Attendance Rate
Yang Jinguan	2/2	100%
Wang Yuesheng	2/2	100%
Hao Shuchen	2/2	100%
Wang Yingli	2/2	100%
Chu Yu	2/2	100%

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

## Corporate Governance Report (Continued)

### INTERNAL CONTROL

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

Further system perfection and effectiveness evaluations were made in respect of internal control in 2010. In accordance with the Application Guidelines for Enterprise Internal Control issued by the Ministry of Finance of the PRC, the Company launched a special campaign to give its internal control system a comprehensive overhaul. Based on the results of the overhaul, we completed the preliminary preparation of the Internal Control Manual, laying down specific requirements for all management aspects regarding internal control, which involve five factors, namely internal environment, risk assessment, control activities, information and communication and internal supervision. The Board of the Company is the decision-making organ for internal control and responsible for establishing and implementing effective internal control systems of the Company. It reviewed the effectiveness of the relevant systems through the Audit Committee during the year and supervised annual report through Audit Committee and Independent Board Committee. The Supervisory Committee supervises the establishment and implementation of internal control by the Board of Directors. The Company's management is responsible for the daily operation of internal control of the enterprises. The Audit Committee of the Board is responsible for reviewing the internal control of the Company, supervising the effective execution of the internal control and self-evaluation of the internal control, and coordinating the audit of the internal control and other relevant matters. The working place of the Audit Committee is located at the Supervision and Audit Department of the Company. Subsidiaries have set up internal control supervisory organizations or positions, which are responsible for promoting the improvement and evaluation of internal control system under the leadership of their respective boards of directors.

In 2010, the evaluation on the internal controls of the Company and its subsidiaries covered operation control, financial control, compliance control and risk management under the guidance of Basic Framework of Internal Control and Risk Management issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the Basic Norms of Corporate Internal Control jointly issued by five ministries (including Ministry of Finance of the People's Republic of China). Based on the results of evaluation, the Audit Committee of the Board prepared the draft of Internal Control Self-evaluation Report, the draft of which was considered and approved at the 24th meeting of the 5th session of the Board of Directors. The Internal Control Self-evaluation Report concluded that: without material internal control defects being discovered in the evaluation, it is convinced that: in 2010, the Company is in full compliance with the provisions relating to internal control as set out in the Code of the Hong Kong Listing Rules, and the existing internal control mechanism of the Company is effective in preventing significant risks and management fraud and in controlling important workflow as required by relevant PRC regulations and securities regulatory authorities. The Board (including the Audit Committee) also considered that the Company has sufficient resources and staff members who are qualified and experienced in accounting and financial reporting. The relevant staff members have taken sufficient training courses and the Company has an adequate budget.

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

### REMUNERATION AND APPRAISAL COMMITTEE

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

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

The current Remuneration and Appraisal Committee is chaired by Independent Non-executive Director, Mr. Hao Shuchen, and comprises four other members including Vice Chairman, Mr. Chen Feihu, Non-executive Director, Ms. Wang Yingli and Independent Non-executive Directors, Mr. Ning Jiming and Mr. Yang Jinguan.

The Remuneration and Appraisal Committee held 2 meetings on 24 March 2010 and 24 August 2010 respectively. Attendance of each member is as follows:

Director	Times of Attendance/Times of Meeting	Attendance Rate
Hao Shuchen	2/2	100%
Ning Jiming	2/2	100%
Yang Jinguan	2/2	100%
Chen Feihu	2/2	100%
Wang Yingli	2/2	100%

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

### ANNUAL SALARY SCHEME FOR THE GENERAL MANAGER IN 2010

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2010 and to ensure completion of the annual missions of the Board, the Company linked the annual salary scheme for the General Manager with the annual operating performance of the Company with reference to the Company's actual circumstances.

Based on the Company's development strategies, external environmental changes, annual performance results, wage level of employees and other factors, and with reference to the salary level of listed peers, the Remuneration and Appraisal Committee determined the annual base salary for the General Manager in 2010 in line with such principles as integration of incentives and constraints, combination of short-term and long-term incentives, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives.

### MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2010

In order to secure the accomplishment of the strategic targets for the year 2010 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee formulated the motivation and assessment methods for other senior management members (including the Deputy General Manager, the Financial Controller, Chief Engineer and the Secretary to the Board, hereinafter referred to as the "Relevant Senior Management Members") in 2010 with reference to the Company's actual circumstances.

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

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



## Corporate Governance Report (Continued)

### ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2010, each Independent Non-executive Director, namely, Wang Yueheng, Hao Shuchen, Ning Jiming and Yang Jinguan, was paid the independent directors' allowance of RMB70,000 (before tax) by the Company.

### REMUNERATION (ALLOWANCE) OF DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT IN 2010 (BEFORE INCOME TAX)

Name	Position	Remuneration (allowance)** of Directors, Supervisors and Senior Management (RMB'000)
Yun Gongmin	Chairman, Non-executive Director	0
Chen Feihu	Vice Chairman, Non-executive Director	0
Chen Dianlu*	Vice Chairman, Non-executive Director	0
Chen Jianhua	Executive Director, General Manager	71.14
Wang Yingli	Non-executive Director	0
Chen Bin	Non-executive Director	0
Zhong Tonglin	Executive Director, Deputy General Manager	71.14
Chu Yu	Non-executive Director	0
Wang Yueheng	Independent Non-executive Director	7
Hao Shuchen	Independent Non-executive Director	7
Ning Jiming	Independent Non-executive Director	7
Yang Jinguan	Independent Non-executive Director	7
Li Xiaopeng	Chairman of the Supervisory Committee	0
Peng Xingyu	Supervisor	0
Chen Bin	Supervisor	37.70
Zheng Feixue*	Supervisor	11.01
Zhou Lianqing	Company secretary and secretary to the Board	50.38
Wang Wenqi	Deputy General Manager	58.86
Wang Hui	Deputy General Manager	57.79
Peng Guoquan	Deputy General Manager	58.04
Xing Shibang	Deputy General Manager	56.79
Chen Cunlai	The person in charge of accounting affairs	57.02
Xie Yun	General Engineer	57.43

\* Mr. Chen Bin began to serve as a Supervisor from 28 April 2010; Ms. Zheng Feixue ceased to serve as a Supervisor from 28 April 2010.

\*\* Remunerations paid to senior management members of the Company did not include deferred payment: Mr. Chen Jianhua's deferred payment for 2010 was RMB72,200; Mr. Zhong Tonglin's deferred payment was RMB72,200; Mr. Wang Wenqi's deferred payment was RMB61,200; Mr. Wang Hui's deferred payment was RMB58,900; Mr. Peng Guoquan's deferred payment was RMB59,500; Mr. Xing Shibang's deferred payment was RMB58,300; Mr. Chen Cunlai's deferred payment was RMB58,900; Mr. Chen Bin's deferred payment was RMB38,500; Mr. Xie Yun's deferred payment was RMB57,700; Mr. Zhou Lianqing's deferred payment was RMB50,500; Ms. Zheng Feixue's deferred payment was RMB14,000.

### NOMINATION OF DIRECTORS

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

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

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

### AUDITORS

For the year ended 31 December 2010, the Company paid RMB10.55 million of audit service fees KPMG and KPMG Huazhen. There were no other fees paid for their services. The audit fees were considered by the Audit Committee and the Board and approved at the general meeting.

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

### INVESTOR RELATIONS

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

The previous annual general meeting was held in Beijing on 8 June 2010, at which the Chairman, the chairman of the Audit Committee and the chairman of the Remuneration and Appraisal Committee answered questions. At the general meeting, each matter was put forward in form of a separate proposal and voted by way of poll.

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

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

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

# Supervisory Committee Report

## To Shareholders,

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

In 2010, the Supervisory Committee attended the Board meetings and major activities of the Company and learned about the development and operating situation of the Company. We are of the opinion that the management has kept its promises and abided by the relevant laws through its significant contribution to the Company's operation, development and production management. We consider that the Company's management has been performing its duties in an effective and appropriate manner and in the ultimate interests of shareholders.

## I WORK OF THE SUPERVISORY COMMITTEE IN 2010

In 2010, the Supervisory Committee of the Company convened 5 meetings, details of which are as follows:

1. The 8th meeting of the 5th session of the Supervisory Committee was convened on 26 March 2010 at China Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid.

For details, please refer to the announcement of resolutions passed by Supervisory Committee dated 26 March 2010.

2. The 9th meeting of the 5th session of Supervisory Committee was convened on 28 April 2010 at China Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing. Li Xiaopeng, Peng Xingyu and Chen Bin, all supervisors of the Company, attended the meeting, and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

After hearing the analysis on business operation in the first quarter of 2010, the meeting considered and approved the Company's first Quarterly Report of 2010 and Summary of Quarterly Report prepared in accordance with the Listing Rules of Shanghai Stock Exchange. The preparation of and consideration procedure for the Quarterly Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; the content and format of the Quarterly Report were in compliance with all provisions of CSRC and the Shanghai Stock Exchange and the information contained therein can truly reflect the Company's operations, management and financial positions during the first quarter of the year; before arriving at this opinion, no person participating in preparation and consideration of the Quarterly Report had any act in breach against the rules of confidentiality. The meeting authorized amendment to be made at discretion and to timely publish the same pursuant to the relevant regulations of the Stock Listing Rules of the Shanghai Stock Exchange and the simultaneous disclosure required by the Hong Kong Stock Exchange.

3. The 10th meeting of the 5th session of the Supervisory Committee was convened on 26 August 2010 at Beijing Hua Bin International Hotel, No. 4 Xuanwumennei Street, Xicheng District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

- (1) The Interim Financial Report for 2010 which was prepared under the International Financial Reporting Standards and the PRC GAAP respectively for the reporting period ended 30 June 2010 was considered and approved;

- (2) The 2010 Interim Report, Summary of the Report and Results Announcement prepared in accordance with the Listing Rules of Shanghai Stock Exchange and Hong Kong Stock Exchange were considered and approved. The preparation and consideration procedure for the Interim Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; the content and format of the Interim Report were in compliance with all provisions of CSRC and the Shanghai Stock Exchange and the Hong Kong Stock Exchange and the information contained therein could truly reflect the Company's operations, management and financial positions during the reporting period; before arriving at this opinion, no person participating in preparation and consideration of the Interim Report had any act in breach against the rules of confidentiality.

4. The 11th meeting of the 5th session of the Supervisory Committee was convened on 26 October 2010 at Fragrant Hill Hotel, Haidian District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

After hearing the analysis on business operation in the third quarter of 2010, the meeting considered and approved the Company's third Quarterly Report of 2010 prepared in accordance with the Listing Rules of Shanghai Stock Exchange. The preparation and consideration procedure for the Quarterly Report was considered to be in compliance with the relevant laws, regulations, Articles of Association of the Company and all stipulations of the Company's internal management system; the content and format of the Quarterly Report were in compliance with all provisions of CSRC, the Shanghai Stock Exchange and the information contained therein could truly reflect the Company's operations, management and financial positions during the third quarter of the year; before arriving at this opinion, no person participating in preparation and consideration of the Quarterly Report had any act in breach against the rules of confidentiality. The meeting authorized amendment to be made at discretion and timely publish the same pursuant to the relevant regulations of the Stock Listing Rules of the Shanghai Stock Exchange and the simultaneous disclosure required by the Hong Kong Stock Exchange.

5. The 12th meeting of the 5th session of Supervisory Committee was convened on 28 December 2010 at China Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid. The following resolutions were unanimously passed at the meeting:

To consider and approve the resolution in relation to the amendment to Code on Supervisory Committee and submission of the same to the extraordinary general meeting, and approve to submit it to the extraordinary general meeting convened by the Board for approval.

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

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

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

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

The Supervisory Committee has carefully reviewed the Company's Report of the Final Financial Statements for 2010, 2010 Profit Distribution Plan, 2010 Annual Report, 2010 Unqualified Auditors' Reports prepared by the international auditors and domestic auditors of the Company and other relevant information in respect of the year 2010.

We are of the opinion that the Company's Report of the Final Financial Statements for 2010 were reliable, which objectively reflected the financial standing and operating results of the Company. The Supervisory Committee agreed with the auditors' reports for Company and its 2010 Profit Distribution Plan.

## Supervisory Committee Report (Continued)

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

In 2010, the Group mainly acquired the following assets:

1. 84.31% equity interest in Shandong Century Electric Power Development Corporation Limited for a consideration of RMB2,120 million;
2. 100% equity interest in Shaoguan Pingshi Power Plant Company Limited (B Plant) for a consideration of RMB585 million;
3. 20% equity interest in Otog Front Banner Zhengtai Trading Company Limited (Manghatu Coal Mine) for a consideration of RMB268 million;
4. 35% equity interest in Otog Front Banner Baihui Trading Company (Heiliang Coal Mine) for a consideration of RMB570 million;
5. 35% equity interest in Otog Front Banner Quanhui Trading Company Limited (Shatuzhang Coal Mine) for a consideration of RMB939 million;
6. Antaipu Coal Mine for a consideration of RMB178 million;
7. Jinneng Erpu Coal Mine for a consideration of RMB526.5 million;
8. Bailu Coal Mine for a consideration of RMB550 million;
9. Xijiazhai Coal Mine for a consideration of RMB800 million;
10. Yibanling Coal Mine for a consideration of RMB239 million;
11. 49% equity interest in Shijiazhuang Huadian Heat Company Limited, 49% equity interest in Shijiazhuang Huadian Yuhua Heat Company Limited, 100% equity interests in Shijiazhuang Yuxi Heat Company Limited, 51% equity interests in Shijiazhuang Shiguang Heat Company Limited, 48.8% equity interests in Shijiazhuang Xijiao Heat Company Limited and 77% equity interests in Shijiazhuang Beicheng Heat Company Limited for a consideration of nil.

Assets disposed of by the Group mainly include: 2.46% equity interest in Huadian Fuxin Energy Company Limited, 3.3% equity interest in China Huadian Coal Group Company Limited and 10% equity interest in CHD Power Plant Operation Company Limited held by the Group.

No insider transactions was found and no circumstances were noted which may damage the interests of the Company or result in any loss of assets of the Company during these acquisitions and disposals.

### V SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON THE COMPANY'S CONNECTED TRANSACTIONS

Major connected transactions entered into in 2010 include:

1. Purchase of equipment from Guodian Nanjing Automation Co., Ltd.
2. Project Contract entered into between Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited. and China Huadian Engineering (Group) Corporation;
3. Continuing connected transaction in relation to coal procurement services with Huadian Coal Industry Group Company Limited;
4. Co-investment in Laizhou Company with Shandong International Trust Corporation;
5. Participation in the capital increase and reorganisation of Huadian Fuxin Energy Company Limited;
6. Continuing connected transaction in relation to the renewal of Financial Services Agreement with China Huadian Finance Corporation Limited;
7. Continuing connected transaction in relation to the renewal of Coal Purchase Framework Agreement with Yanzhou Coal Mining Company Limited;
8. Continuing connected transaction in relation to the renewal of Coal Purchase Framework Agreement with Huainan Mining Industry Group Company Limited;
9. Continuing connected transaction in relation to the Framework Agreement for Purchase (Supply) of Coal, Equipment and Services with China Huadian;
10. Increase of capital contribution to China Huadian Finance Corporation Limited;
11. Disposal of part of the equity interests in Huadian Fuxin Energy Company Limited and in China Huadian Coal Group Company Limited held by the Company to China Huadian Corporation;

We are of the opinion that the connected transactions entered into by the Company were fair and the acquisition and disposal transactions were in the interests of the Company and shareholders as a whole.

### VI. SUPERVISORY COMMITTEE'S REVIEW OF THE INTERNAL CONTROL SELF-EVALUATION REPORT

During the reporting period, the Supervisory Committee attended the work meetings of the Audit Committee under the Board as non-voting participants, debriefed reports on the implementation and examination of the Company's internal control measures to bring into full play its guiding and supervisory roles. The Supervisory Committee has reviewed the Internal Control Self-evaluation Report for 2010, and is of the opinion that the Company has evaluated the relevant internal control of the financial report as required by Basic Norms of Corporate Internal Control, Application Guidelines for Corporate Internal Control, Evaluation Guidelines for Corporate Internal Control and Audit Guidelines for Corporate Internal Control, and considers it valid as at 31 December 2010 (base date), and that on material defects have been discovered.

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

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

Beijing, the PRC  
30 March 2011

# Corporate Information

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).

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

## COMPANY PUBLICATIONS

The Company's 2010 Annual Reports were published in April 2011. Copies of the interim and annual reports are available for collection at:

<b>PRC</b>	Huadian Power International Corporation Limited No. 2 Xuanwumennei Street, Xicheng District, Beijing The People's Republic of China Tel: (86 10) 8356 7888 Fax: (86 10) 8356 7963
<b>Hong Kong</b>	Wonderful Sky Financial Group Limited Unit 3103, 31st Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong Tel: (852) 2851-1038 Fax: (852) 2815-1352

# Report of The International Auditors

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

We have audited the consolidated financial statements of Huadian Power International Corporation Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 36 to 87, which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

## AUDITOR'S RESPONSIBILITY

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

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

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

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

## OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**KPMG**  
*Certified Public Accountants*

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

30 March 2011

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2010

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2010	2009
		RMB'000	RMB'000
<b>Turnover</b>	4	<b>45,197,500</b>	36,449,643
<b>Operating expenses</b>			
Fuel costs		(32,959,462)	(22,620,743)
Depreciation and amortisation		(4,676,922)	(4,120,228)
Major overhaul expenses		(511,183)	(521,092)
Repairs and maintenance		(640,271)	(564,300)
Personnel costs	5	(1,948,501)	(1,765,499)
Administration expenses		(1,178,647)	(1,116,618)
Sales related taxes	6	(179,340)	(241,875)
Other operating expenses		(1,377,116)	(1,227,945)
		<b>(43,471,442)</b>	(32,178,300)
<b>Operating profit</b>		<b>1,726,058</b>	4,271,343
Investment income	7	504,951	24,988
Other revenue and net income	8	932,071	118,560
Finance income		26,532	22,961
Finance costs	9	(3,315,421)	(2,971,424)
Share of profits less losses of associates		322,792	212,399
Share of profit of a jointly controlled entity		5,438	4,445
<b>Profit before taxation</b>	10	<b>202,421</b>	1,683,272
Income tax	13(a)	(116,536)	(101,273)
<b>Profit for the year</b>		<b>85,885</b>	1,581,999
<b>Other comprehensive income for the year (after tax and reclassification adjustments)</b>	15	<b>(16,725)</b>	40,351
Available-for-sale securities: net movement in fair value reserve			
<b>Total comprehensive income for the year</b>		<b>69,160</b>	1,622,350
<b>Profit attributable to:</b>			
Equity shareholders of the Company		169,897	1,157,173
Non-controlling interests		(84,012)	424,826
<b>Profit for the year</b>		<b>85,885</b>	1,581,999
<b>Total comprehensive income attributable to:</b>			
Equity shareholders of the Company		153,249	1,196,249
Non-controlling interests		(84,089)	426,101
<b>Total comprehensive income for the year</b>		<b>69,160</b>	1,622,350
<b>Basic and diluted earnings per share</b>	16	<b>RMB0.025</b>	RMB0.190

The notes on pages 41 to 87 form part of these financial statements.

# Consolidated Balance Sheet

As at 31 December 2010  
(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi)

	Note	2010	2009
		RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	18(a)	79,401,144	65,502,601
Construction in progress	19	23,146,683	19,315,995
Lease prepayments	20	1,447,561	918,590
Intangible assets	21	4,764,132	1,126,784
Interests in associates	23	9,041,315	3,969,310
Interest in a jointly controlled entity	24	227,237	221,799
Other investments	25	304,282	636,830
Other non-current assets	26	339,203	1,722,896
Deferred tax assets	34(b)	285,109	267,001
		<b>118,956,666</b>	<b>93,681,806</b>
<b>Current assets</b>			
Inventories	27	1,760,239	1,346,169
Trade debtors and bills receivable	28	3,980,674	3,583,226
Deposits, other receivables and prepayments		2,531,283	1,323,369
Tax recoverable	34(a)	66,101	61,522
Restricted deposits	29	30,678	1,906
Cash and cash equivalents	30	1,235,758	1,241,900
		<b>9,604,733</b>	<b>7,558,092</b>
<b>Current liabilities</b>			
Bank loans	31(a)	23,266,864	16,458,921
Loans from shareholders	31(b)	2,000,000	1,704,913
State loans	31(c)	13,401	12,893
Other loans	31(d)	6,284,470	3,180,549
Short-term debenture payables	31(e)	3,008,983	3,002,923
Amount due to holding company		79,165	75,190
Trade creditors and bills payable	32	7,739,963	5,078,569
Other payables		4,203,566	2,677,464
Tax payable	34(a)	63,815	24,217
		<b>46,660,227</b>	<b>32,215,639</b>
<b>Net current liabilities</b>		<b>(37,055,494)</b>	<b>(24,657,547)</b>
<b>Total assets less current liabilities</b>		<b>81,901,172</b>	<b>69,024,259</b>
<b>Non-current liabilities</b>			
Bank loans	31(a)	43,915,573	36,561,599
Loans from shareholders	31(b)	1,371,375	2,018,958
State loans	31(c)	103,699	37,215
Other loans	31(d)	4,769,347	3,821,577
Medium-term notes	31(f)	5,346,441	2,971,022
Long-term payables	33	1,234,710	426,626
Deferred government grants		650,991	438,982
Deferred income	35	577,866	160,819
Deferred tax liabilities	34(b)	2,068,349	1,282,303
		<b>60,038,351</b>	<b>47,719,101</b>
<b>NET ASSETS</b>		<b>21,862,821</b>	<b>21,305,158</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	36(c)	6,771,084	6,771,084
Reserves		9,404,887	9,315,098
<b>Total equity attributable to equity shareholders of the Company</b>		<b>16,175,971</b>	<b>16,086,182</b>
Non-controlling interests		5,686,850	5,218,976
<b>TOTAL EQUITY</b>		<b>21,862,821</b>	<b>21,305,158</b>

Approved and authorised for issue by the Board of Directors on 30 March 2011.

Chen Jianhua  
Director

Zhong Tonglin  
Director

The notes on pages 41 to 87 form part of these financial statements.

# Balance Sheet

*As at 31 December 2010*
*(Prepared under International Financial Reporting Standards)*
*(Expressed in Renminbi)*

	Note	2010	2009
		RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	18(b)	8,513,511	9,012,025
Construction in progress	19	662,231	1,576,000
Lease prepayments	20	145,711	159,002
Intangible assets	21	51,818	53,750
Investments in subsidiaries	22	20,749,232	16,891,200
Interests in associates	23	6,270,137	1,989,372
Interest in a jointly controlled entity	24	142,800	142,800
Other investments	25	160,309	460,309
Other non-current assets	26	771,932	439,043
		<b>37,467,681</b>	30,723,501
<b>Current assets</b>			
Inventories	27	336,178	288,298
Trade debtors and bills receivable	28	669,905	551,868
Amounts due from subsidiaries		2,527,198	599,152
Deposits, other receivables and prepayments		142,456	130,119
Tax recoverable	34(a)	23,907	23,907
Cash and cash equivalents	30	156,819	193,186
		<b>3,856,463</b>	1,786,530
<b>Current liabilities</b>			
Bank loans	31(a)	8,758,390	4,326,783
Loans from shareholders	31(b)	2,000,000	1,009,310
State loans	31(c)	12,510	12,002
Other loans	31(d)	2,500,000	850,000
Short-term debenture payables	31(e)	3,008,983	3,002,923
Amount due to holding company		78,965	70,090
Amounts due to subsidiaries		49,072	154,958
Trade creditors and bills payable	32	1,051,349	1,072,005
Other payables		540,409	569,357
		<b>17,999,678</b>	11,067,428
<b>Net current liabilities</b>		<b>(14,143,215)</b>	(9,280,898)
<b>Total assets less current liabilities</b>		<b>23,324,466</b>	21,442,603
<b>Non-current liabilities</b>			
Bank loans	31(a)	1,140,369	1,182,820
Loans from shareholders	31(b)	115,920	788,789
State loans	31(c)	15,249	28,306
Other loans	31(d)	1,400,000	1,100,000
Medium-term notes	31(f)	5,346,441	2,971,022
Deferred government grants		105,113	105,804
Deferred tax liabilities	34(b)	47,250	40,000
		<b>8,170,342</b>	6,216,741
<b>NET ASSETS</b>		<b>15,154,124</b>	15,225,862
<b>CAPITAL AND RESERVES</b>			
Share capital	36(a)	6,771,084	6,771,084
Reserves		8,383,040	8,454,778
<b>TOTAL EQUITY</b>		<b>15,154,124</b>	15,225,862

Approved and authorised for issue by the Board of Directors on 30 March 2011.

**Chen Jianhua**  
 Director

**Zhong Tonglin**  
 Director

The notes on pages 41 to 87 form part of these financial statements.



# Consolidated Statement of Changes In Equity

For the year ended 31 December 2010  
(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company								Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Revaluation reserve	Fair value reserve	Retained profits	Total		
	RMB'000 (Note 36(c))	RMB'000 (Note 36(d)(i))	RMB'000 (Note 36(d)(ii))	RMB'000	RMB'000 (Note 36(d)(iii))	RMB'000 (Note 36(d)(iv))	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
Profit for the year	—	—	—	—	—	—	1,157,173	1,157,173	424,826	1,581,999
Other comprehensive income (Note 15)	—	—	—	—	—	39,076	—	39,076	1,275	40,351
Total comprehensive income for the year	—	—	—	—	—	39,076	1,157,173	1,196,249	426,101	1,622,350
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	133,356	133,356
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 holding company	—	18,166	—	—	—	—	—	18,166	18,906	37,072
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(89,781)	(89,781)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	424,928	424,928
Shares issued (Note 36(c))	750,000	2,703,700	—	—	—	—	—	3,453,700	—	3,453,700
Appropriation	—	—	13,404	—	—	—	(13,404)	—	—	—
Balance at 31 December 2009	<u>6,771,084</u>	<u>4,631,340</u>	<u>1,417,924</u>	<u>68,089</u>	<u>44,726</u>	<u>22,007</u>	<u>3,131,012</u>	<u>16,086,182</u>	<u>5,218,976</u>	<u>21,305,158</u>
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
Profit for the year	—	—	—	—	—	—	169,897	169,897	(84,012)	85,885
Other comprehensive income (Note 15)	—	—	—	—	—	(16,648)	—	(16,648)	(77)	(16,725)
Total comprehensive income for the year	—	—	—	—	—	(16,648)	169,897	153,249	(84,089)	69,160
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	322,138	322,138
Acquisition of non-controlling interests (Note 39(d))	—	—	—	—	—	—	(9,351)	(9,351)	(36,503)	(45,854)
Contribution from holding company	—	24,769	—	—	—	—	—	24,769	1,507	26,276
Dividends approved for equity shareholders of the Company (Note 36(b))	—	—	—	—	—	—	(236,988)	(236,988)	—	(236,988)
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(69,470)	(69,470)
Acquisition of subsidiaries (Note 39)	—	—	—	—	—	—	—	—	334,291	334,291
Others	—	158,110	—	—	—	—	—	158,110	—	158,110
Appropriation	—	—	47,541	—	—	—	(47,541)	—	—	—
Balance at 31 December 2010	<u>6,771,084</u>	<u>4,814,219</u>	<u>1,465,465</u>	<u>68,089</u>	<u>44,726</u>	<u>5,359</u>	<u>3,007,029</u>	<u>16,175,971</u>	<u>5,686,850</u>	<u>21,862,821</u>

The notes on pages 41 to 87 form part of these financial statements.

# Consolidated Cash Flow Statement

For the year ended 31 December 2010

(Prepared under International Financial Reporting Standards)

(Expressed in Renminbi)

	Note	2010	2009
		RMB'000	RMB'000
<b>Operating activities</b>			
Cash received from customers and others		53,268,813	41,363,772
Cash paid to suppliers, employees and others		(47,072,527)	(34,575,784)
		<b>6,196,286</b>	6,787,988
Cash generated from operations		<b>(3,978,417)</b>	(3,573,934)
Interest paid		<b>(145,549)</b>	(120,137)
Enterprise income tax paid		<b>7,985</b>	—
Enterprise income tax refunded			
		<b>2,080,305</b>	3,093,917
<b>Net cash generated from operating activities</b>			
<b>Investing activities</b>			
Payment for the purchase of property, plant and equipment, construction in progress and intangible assets		(13,468,672)	(12,395,853)
Proceeds from sale of property, plant and equipment		87,202	8,877
Payment for the acquisition of subsidiaries, net of cash	39	(1,982,125)	(1,113,967)
Payment for the acquisition of subsidiaries in prior years		(218,700)	(1,490,585)
Payment for the acquisition of associates		(2,450,282)	(429,092)
Investment prepayments paid		(170,810)	(1,722,896)
Loan to a third party		—	(8,000)
Capital injection in associates		(1,739,404)	(202,565)
Capital injection in other investments		(5,000)	(5,000)
Cash received from disposal of investments		745,017	—
Interest received		22,259	25,776
Dividends received		142,304	144,423
Other cash received relating to investing activities		1,611	1,472
		<b>(19,036,600)</b>	(17,187,410)
<b>Net cash used in investing activities</b>			
<b>Financing activities</b>			
Proceeds from borrowings		63,952,583	46,863,782
Repayment of borrowings		(47,336,765)	(37,128,060)
Proceeds from government grants		236,735	149,759
Proceeds from shares issued of the Company	36(c)	—	3,453,700
Proceeds from bank acceptance bills receivable discounted		922,081	602,483
Repayment of bank acceptance bills payable		(644,184)	(288,380)
Payment for the acquisition of non-controlling interests	36(d)	(45,854)	(104,912)
Capital injection from non-controlling equity holders to subsidiaries		284,360	46,660
Dividends paid to non-controlling equity holders of subsidiaries		(76,404)	(46,300)
Dividends paid to equity shareholders of the Company	36(b)	(236,988)	—
(Increase)/decrease in restricted deposits		(27,072)	2,885
Other cash paid relating to financing activities		(78,339)	(85,529)
		<b>16,950,153</b>	13,466,088
<b>Net cash generated from financing activities</b>			
<b>Net decrease in cash and cash equivalents</b>			
		<b>(6,142)</b>	(627,405)
<b>Cash and cash equivalents at 1 January</b>			
		<b>1,241,900</b>	1,869,305
<b>Cash and cash equivalents at 31 December</b>			
	30	<b>1,235,758</b>	1,241,900

The notes on pages 41 to 87 form part of these financial statements.

# Notes to the Financial Statements

*(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)*

## 1 BACKGROUND OF THE COMPANY

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

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

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

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

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

The consolidated financial statements for the year ended 31 December 2010 comprise the Group and its interest in associates and a jointly controlled entity.

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

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

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

Judgement made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 43.

### (c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and the total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in accordance with note 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(d)).

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

## Notes to the Financial Statements (Continued)

*(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in the former investee at the date when significant influence or joint control is lost is recognised at fair value on initial recognition of a financial asset (see note 2(f)) or, when appropriate, the cost on initial recognition of an investment in an associate (see note 2(d)).

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

#### (e) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(j)).

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

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

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

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

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

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

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

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

#### (g) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(j)).

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

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

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

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

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

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

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

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

#### (h) Construction in progress

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

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

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

The Group recognises an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (see note 2(j)).

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

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the asset's estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated useful lives are as follows:

Concession assets	25 years
Others	5 - 10 years

The estimated useful life of an intangible asset in a service concession arrangement is the period from when the Group is able to charge the public for the use of the infrastructure to the end of the concession period.

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Intangible assets (other than goodwill) (continued)

Both the period and method of amortisation are reviewed annually.

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

#### (j) Impairment of assets

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

Investments in debt and equity securities and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

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

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

- For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(d))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(j)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(j)(ii).
- For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.
- For trade and other current receivables and other financial assets carried at cost or amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

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

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

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

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

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

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (j) Impairment of assets (continued)

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

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

- property, plant and equipment;
- construction in progress;
- lease prepayments;
- intangible assets;
- other non-current assets; and
- goodwill.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

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

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

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

#### (k) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC's land bureau. Lease prepayments are stated at cost, less accumulated amortisation and any impairment losses (see note 2(j)). Amortisation is charged to profit or loss from the date of initial recognition on a straight-line basis over the respective periods of the rights which mainly range from 10 years to 70 years.

#### (l) Inventories

Inventories, comprising coal, stalk, fuel oil, gas, materials, components and spare parts for consumption by the power plants, are stated at cost and net realisable values. Cost is calculated using the weighted average cost formula and comprises all costs of purchase and where applicable, transportation cost and handling fee incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price less the estimated costs of completion and the estimated conversion costs during power generation, selling expenses and related taxes in the ordinary course of business.

When inventories are used, the carrying amount of those inventories is recognised as an expense, or capitalised to property, plant and equipment when installed, as appropriate. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

## Notes to the Financial Statements (Continued)

*(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)*

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (m) Trade and other receivables

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

#### (n) Interest-bearing borrowings

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

#### (o) Trade and other payables

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

#### (p) Cash and cash equivalents

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

#### (q) Financial guarantees issued and provisions

##### (i) Financial guarantees issued

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

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

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

##### (ii) Provisions and contingent liabilities

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

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

#### (r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

##### (i) Electricity income

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

##### (ii) Heat income

Heat income is recognised when heat is supplied to customers.

##### (iii) Service concession construction revenue

Revenue relating to construction services under a service concession arrangement is recognised based on the stage of completion of the work performed. Operation or service revenue is recognised in the period in which the services are provided by the Group. When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.



## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (r) Revenue recognition (continued)

##### (iv) Dividend income

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

##### (v) Interest income

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

##### (vi) Government grants

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

##### (vii) Certified Emission Reductions("CERs") income

The Group sells carbon credits known as CERs, generated from the wind farms and other renewable energy facilities which have been registered as Clean Development Mechanism ("CDM") projects with CDM Executive Board ("CDM EB") of the United Nations under the Kyoto Protocol. Revenue in relation to the CERs is recognised when following conditions are met:

- the counterparties have committed to purchase the CERs;
- the sales prices have been agreed; and
- relevant electricity has been generated.

The revenue related to CERs are recognised and recorded in trade receivables for the volume verified by the independent supervisors assigned by CDM EB and in other receivables for the remaining volume.

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

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

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

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

#### (t) Translation of foreign currencies

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

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

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

#### (u) Income tax

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

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

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

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

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (u) Income tax (continued)

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

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

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

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

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

#### (v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition or construction of an asset which necessarily takes a substantial period of time to get ready for its intended use are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

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

#### (w) Operating lease charges

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

#### (x) Employee benefits

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

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

##### (ii) Termination benefits

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

#### (y) Research and development costs

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

#### (z) Related parties

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

- (i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
- (ii) the Group and the party are subject to common control;
- (iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
- (iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

### 2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (z) Related parties (continued)

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

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

#### (aa) Segment reporting

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

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

#### (bb) Dividends

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

### 3 CHANGES IN ACCOUNTING POLICIES

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

- IFRS 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*
- Improvements to IFRSs (2009)

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

As a result of amendments to IAS 27 (in respect of acquisition of additional interest in a non-wholly owned subsidiary) and the corresponding amendments to IAS 7, *Statement of Cash Flows*, cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control shall be classified as cash flows from financing activities. Previously, the Group classified such cash flows as cash flows from investing activities. This change in classification is applied retrospectively and corresponding amounts have been restated to conform to the new classification. This change in classification has no effect on the reported net cash flow for any period presented.

The other 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, 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.
  - 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.
  - 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.
  - 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.

## Notes to the Financial Statements (Continued)

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## 3 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

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 adoption of IAS 27 (amended 2008), as from 1 January 2010, 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.

- 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.

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.
- As a result of the amendment to IAS 17, *Leases*, arising from the "Improvements to IFRSs (2009)" omnibus standard, the Group has re-evaluated the classification of its interests in leasehold land as to whether, in the Group's judgement, the lease transfers substantially all the risks and rewards of ownership of the land such that the Group is in a position economically similar to that of a purchaser. The Group has concluded that the classification of such leases as operating leases continues to be appropriate. Accordingly, this change in accounting policy has no material impact on the current or previous periods.

## 4 TURNOVER

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

	2010	2009
	RMB'000	RMB'000
Sale of electricity	43,529,734	35,197,156
Sale of heat	1,667,766	1,252,487
	<b>45,197,500</b>	<b>36,449,643</b>

The Group's customers are mainly local power grid companies. There is only one customer with whom have exceeded 10% of the Group's revenues. In 2010 revenues from sales of electricity to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB23,641,671,000 (2009: RMB20,312,597,000). Details of concentrations of credit risk arising from this customer are set out in note 42(b).

## 5 PERSONNEL COSTS

	2010	2009
	RMB'000	RMB'000
Wages, welfare and other benefits	1,240,962	1,112,502
Retirement costs (Note 38)	298,333	282,117
Other staff costs	409,206	370,880
	<b>1,948,501</b>	<b>1,765,499</b>

## Notes to the Financial Statements (Continued)

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### 6 SALES RELATED TAXES

Sales related taxes represent city maintenance and construction tax and education surcharge, which are calculated at 1-7% and 3-5% (2009: 1-7% and 3-5%), respectively, of net VAT payable.

### 7 INVESTMENT INCOME

	2010	2009
	RMB'000	RMB'000
Gain on disposal of associates (Note (i))	449,807	—
Loss from disposal of unlisted securities (Note (ii))	(5,563)	—
Gain on the remeasurement to fair value of the Group's existing 49% interest in Shijiazhuang Huadian Heat Company Limited ("Shijiazhuang Heat Company") (Note 39(c))	59,029	—
Dividend income from listed securities	1,340	1,248
Dividend income from unlisted securities	—	23,740
Available-for-sale securities: reclassified from equity on disposal (Note 15)	338	—
	<b>504,951</b>	<b>24,988</b>

Notes:

- (i) On 31 December 2010, the Company disposed 3.3% interest in Huadian Coal Industry Group Company Limited ("Huadian Coal") and 2.46% interest in Huadian Fuxin Energy Company Limited, associates of the Company, to China Huadian Corporation ("China Huadian") with the consideration of RMB462,000,000 and RMB254,610,000 respectively. The above transactions resulted in gains totalling RMB449,807,000 to the Group.
- (ii) On 28 May 2010, Hangzhou Huadian Banshan Power Generation Company Limited ("Banshan Company"), a subsidiary of the Company, disposed 3.07% interest in Zhejiang Fuxing Electric Power Fuel Company Limited to Zhejiang Energy Group Corporation Limited with the consideration of RMB11,723,000 and the above transaction resulted in a loss of RMB5,909,000 to the Group.
- On 31 December 2010, the Company disposed 10% interest in CHD Power Plant Operation Company Limited ("CHD Operation") to China Huadian with the consideration of RMB5,346,000 and the above transaction resulted in a gain of RMB346,000 to the Group.

### 8 OTHER REVENUE AND NET INCOME

	2010	2009
	RMB'000	RMB'000
Gain from bargain purchase (Note 39(c))	621,196	—
Government grants	140,137	62,143
CERs net income	28,728	—
Gain/(loss) on disposal of property, plant and equipment	46,205	(2,973)
Revenue from sale of materials	55,065	20,448
Revenue from upfront connection and installation fees (Note 35)	9,613	7,019
Other net income from service concession arrangement (Note)	—	—
Others	31,127	31,923
	<b>932,071</b>	<b>118,560</b>

Note:

Construction revenue from service concession arrangement (Note 44) of the Group for the year ended 31 December 2010 was RMB565,187,000. As substantially all construction activities are sub-contracted, the same amount of cost is recorded in other net income. Therefore, net income from construction services under service concession arrangements for the year ended 31 December 2010 was RMB Nil. No such service concession arrangement occurred for the year ended 31 December 2009.

### 9 FINANCE COSTS

	2010	2009
	RMB'000	RMB'000
Interest on loans and other financial liabilities wholly repayable within five years	2,469,181	2,307,125
Interest on loans and other financial liabilities repayable after five years	1,660,729	1,293,966
Less: Interest capitalised	<b>(732,612)</b>	<b>(644,781)</b>
	<b>3,397,298</b>	<b>2,956,310</b>
Net foreign exchange (gain)/loss	<b>(86,214)</b>	1,435
Other finance costs	<b>4,337</b>	13,679
	<b>3,315,421</b>	<b>2,971,424</b>

The interest costs have been capitalised at an average rate of 5.25% per annum (2009: 5.10%) for construction in progress.

## Notes to the Financial Statements (Continued)

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### 10 PROFIT BEFORE TAXATION

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

	2010	2009
	RMB'000	RMB'000
Amortisation		
— lease prepayments	47,556	40,690
— intangible assets	89,688	4,132
Auditors' remuneration	9,900	9,900
Cost of inventories	34,169,926	23,760,024
Depreciation	4,539,678	4,075,406
(Reversal of)/impairment losses on trade and other receivables	(14,356)	1,905
Reversal of stock obsolescence	(183)	(283)
Operating lease charges in respect of land and buildings	93,153	84,211
Research and development costs	7,521	9,160
	<b>7,521</b>	<b>9,160</b>

### 11 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

Details of directors' and supervisors' emoluments are as follows:

	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Retirement benefits	Bonuses	Deferred compensation plan	2010 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Directors</b>						
Yun Gongmin	—	—	—	—	—	—
Chen Feihu	—	—	—	—	—	—
Chen Dianlu	—	—	—	—	—	—
Chen Jianhua	—	380	43	289	72	784
Wang Yingli	—	—	—	—	—	—
Chen Bin	—	—	—	—	—	—
Zhong Tonglin	—	380	43	289	72	784
Chu Yu	—	—	—	—	—	—
<b>Independent non-executive directors</b>						
Wang Yuesheng	—	70	—	—	—	70
Hao Shuchen	—	70	—	—	—	70
Ning Jiming	—	70	—	—	—	70
Yang Jinguan	—	70	—	—	—	70
<b>Supervisors</b>						
Zheng Feixue	—	46	8	56	14	124
Peng Xingyu	—	—	—	—	—	—
Li Xiaopeng	—	—	—	—	—	—
Chen Bin	—	204	19	154	39	416
	—	1,290	113	788	197	2,388

	Directors' and supervisors' fees	Salaries, allowances and benefits in kind	Retirement benefits	Bonuses	Deferred Compensation Plan	2009 Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Directors</b>						
Yun Gongmin	—	—	—	—	—	—
Chen Feihu	—	—	—	—	—	—
Chen Dianlu	—	—	—	—	—	—
Meng Fanli	—	—	—	—	—	—
Chen Jianhua	—	345	42	325	81	793
Wang Yingli	—	—	—	—	—	—
Chen Bin	—	—	—	—	—	—
Zhong Tonglin	—	345	41	325	81	792
Chu Yu	—	—	—	—	—	—
<b>Independent non-executive directors</b>						
Wang Yuesheng	—	41	—	—	—	41
Hao Shuchen	—	41	—	—	—	41
Ning Jiming	—	41	—	—	—	41
Yang Jinguan	—	41	—	—	—	41
Ding Huiping	—	25	—	—	—	25
Zhao Jinghua	—	25	—	—	—	25
Hu Yuanmu	—	25	—	—	—	25
Wang Chuanshun	—	25	—	—	—	25
<b>Supervisors</b>						
Zheng Feixue	—	124	24	189	47	384
Peng Xingyu	—	—	—	—	—	—
Li Xiaopeng	—	—	—	—	—	—
	—	1,078	107	839	209	2,233

## Notes to the Financial Statements (Continued)

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### 12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2009: two) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments of the remaining three highest paid individuals (2009: three) are as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other emoluments	921	836
Retirement benefits	107	103
Bonuses	718	803
Deferred compensation plan	180	201
	<u>1,926</u>	<u>1,943</u>

The emoluments of the three (2009: three) individuals with the highest emoluments are within the following bands:

	2010	2009
	Number of individuals	Number of individuals
HK\$ Nil - 1,000,000	<u>3</u>	<u>3</u>

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

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

	2010	2009
	RMB'000	RMB'000
<b>Current tax</b>		
Charge for PRC enterprise income tax for the year	137,734	113,847
Under-provision in respect of previous years	477	2,969
	<u>138,211</u>	<u>116,816</u>
<b>Deferred tax (Note 34(b))</b>		
Origination and reversal of temporary differences	(21,675)	(15,543)
	<u>116,536</u>	<u>101,273</u>

#### (b) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2010	2009
	RMB'000	RMB'000
Profit before taxation	<u>202,421</u>	<u>1,683,272</u>
Notional PRC enterprise income tax expense at a statutory tax rate of 25% (2009: 25%)	50,605	420,818
Tax effect of non-deductible expenses	78,077	48,296
Tax effect of non-taxable income	(201,979)	(86,270)
Preferential tax rate on subsidiaries' profit/loss (Note)	(87,095)	(35,265)
Tax effect of tax losses	276,451	(249,275)
Under-provision in respect of previous years	477	2,969
	<u>116,536</u>	<u>101,273</u>

Note:

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (2009: 25%) on the estimated assessable profits or losses of the year determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company, which are tax exempted or taxed at a preferential rate of 15% or 7.5% (2009: 15%).

## Notes to the Financial Statements (Continued)

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## 14 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to ordinary equity shareholders of the Company includes a loss of RMB44,946,000 (2009: RMB172,026,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2010	2009
	RMB'000	RMB'000
Amount of consolidated loss attributable to shareholders dealt with in the Company's financial statements	(44,946)	(172,026)
Final dividends from subsidiaries, associates and a jointly controlled entity attributable to the profits of the previous financial year, approved and paid during the year	159,611	224,914
Gain on disposal of associates attributable to gains of the previous years	29,902	—
Company's profit for the year	144,567	52,888

## 15 OTHER COMPREHENSIVE INCOME

	2010	2009
	RMB'000	RMB'000
Available-for-sale securities:		
Changes in fair value recognised for the year	(21,126)	46,515
Reclassification adjustments for amounts transferred to profit or loss:		
— gain on disposal (Note 7)	(338)	—
— share of an associate's (gains)/losses on disposal	(545)	1,021
— disposal of an associate	(562)	—
Net deferred tax credited/(charged) to other comprehensive income (Note 34(b))	5,846	(7,185)
Net movement in the fair value reserve recognised for the year in other comprehensive income	(16,725)	40,351

## 16 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 year ended 31 December 2010 of RMB169,897,000 (2009: RMB1,157,173,000) and the weighted average of 6,771,084,200 (2009: 6,083,584,200) ordinary shares in issue during the year ended 31 December 2010, calculated as follows:

Weighted average number of ordinary shares

	2010	2009
	'000	'000
Issued ordinary shares at 1 January	6,771,084	6,021,084
Effect of shares issued (Note 36(c))	—	62,500
Weighted average number of ordinary shares at 31 December	6,771,084	6,083,584

## (b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2010 and 2009.

## 17 SEGMENT REPORTING

The Group principally has one reportable segment, which is the generation and sale of electricity and heat in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed. The Group's major customers are the power grid operators in relation to the sale of electricity and the revenue has been disclosed in note 4.



## Notes to the Financial Statements (Continued)

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### 18 PROPERTY, PLANT AND EQUIPMENT

#### (a) The Group

	Buildings	Generators, machinery and equipment	Mining structures and mining rights	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>					
At 1 January 2009	18,500,591	57,691,702	—	1,106,755	77,299,048
Additions	1,616	14,408	—	33,763	49,787
Through acquisition of subsidiaries	141,358	290,437	1,756,148	32,688	2,220,631
Transferred from construction in progress (Note 19)	1,638,840	4,631,860	—	172,466	6,443,166
Disposals	(23,590)	(188,949)	—	(19,486)	(232,025)
At 31 December 2009	20,258,815	62,439,458	1,756,148	1,326,186	85,780,607
At 1 January 2010	20,258,815	62,439,458	1,756,148	1,326,186	85,780,607
Additions	44,048	11,147	3,269,469	104,774	3,429,438
Through acquisition of subsidiaries (Note 39)	2,359,370	4,333,606	—	68,787	6,761,763
Transferred from construction in progress (Note 19)	3,449,006	4,733,955	—	126,064	8,309,025
Disposals	(75,812)	(334,317)	—	(26,218)	(436,347)
At 31 December 2010	26,035,427	71,183,849	5,025,617	1,599,593	103,844,486
<b>Accumulated depreciation:</b>					
At 1 January 2009	3,247,836	12,693,437	—	481,502	16,422,775
Charge for the year	774,685	3,133,895	—	166,826	4,075,406
Written back on disposals	(23,442)	(178,507)	—	(18,226)	(220,175)
At 31 December 2009	3,999,079	15,648,825	—	630,102	20,278,006
At 1 January 2010	3,999,079	15,648,825	—	630,102	20,278,006
Charge for the year	889,455	3,514,554	—	156,035	4,560,044
Written back on disposals	(37,794)	(332,575)	—	(24,339)	(394,708)
At 31 December 2010	4,850,740	18,830,804	—	761,798	24,443,342
<b>Net book value:</b>					
At 31 December 2010	21,184,687	52,353,045	5,025,617	837,795	79,401,144
At 31 December 2009	16,259,736	46,790,633	1,756,148	696,084	65,502,601

## Notes to the Financial Statements (Continued)

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## 18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

## (b) The Company

	Buildings	Generators, machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>				
At 1 January 2009	5,053,620	14,094,231	514,982	19,662,833
Additions	—	2,183	10,984	13,167
Transferred from construction in progress (Note 19)	148,496	469,398	3,985	621,879
Transferred to a subsidiary	—	—	(2,384)	(2,384)
Disposals	—	(88,082)	(2,618)	(90,700)
At 31 December 2009	5,202,116	14,477,730	524,949	20,204,795
At 1 January 2010	5,202,116	14,477,730	524,949	20,204,795
Additions	—	1,234	17,735	18,969
Transferred from construction in progress (Note 19)	225,957	138,886	6,645	371,488
Transferred to subsidiaries	—	—	(5,820)	(5,820)
Disposals	(57,386)	(289,376)	(6,101)	(352,863)
At 31 December 2010	5,370,687	14,328,474	537,408	20,236,569
<b>Accumulated depreciation:</b>				
At 1 January 2009	2,135,113	7,995,165	284,880	10,415,158
Charge for the year	184,282	647,415	28,294	859,991
Transferred to a subsidiary	—	—	(492)	(492)
Written back on disposals	—	(79,710)	(2,177)	(81,887)
At 31 December 2009	2,319,395	8,562,870	310,505	11,192,770
<b>At 1 January 2010</b>	2,319,395	8,562,870	310,505	11,192,770
Charge for the year	189,522	650,079	23,048	862,649
Transferred to subsidiaries	—	—	(2,101)	(2,101)
Written back on disposals	(35,307)	(288,951)	(6,002)	(330,260)
At 31 December 2010	2,473,610	8,923,998	325,450	11,723,058
<b>Net book value:</b>				
At 31 December 2010	2,897,077	5,404,476	211,958	8,513,511
At 31 December 2009	2,882,721	5,914,860	214,444	9,012,025

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

## 19 CONSTRUCTION IN PROGRESS

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	19,315,995	13,099,105	1,576,000	1,724,674
Through acquisition of subsidiaries (Note 39)	1,616,038	51,931	—	—
Additions	12,996,227	12,608,125	247,311	889,617
Transferred to property, plant and equipment (Note 18)	(8,309,025)	(6,443,166)	(371,488)	(621,879)
Transferred to intangible assets (Note 21)	(2,472,552)	—	—	—
Transferred to subsidiaries	—	—	(789,592)	(416,412)
At 31 December	23,146,683	19,315,995	662,231	1,576,000

## 20 LEASE PREPAYMENTS

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

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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### 21 INTANGIBLE ASSETS

	The Group				Total
	Goodwill	Land use rights	Concession assets (Note 44)	Others	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Cost:</b>					
At 1 January 2009	226,067	834,839	—	—	1,060,906
Through acquisition of subsidiaries	54,164	—	—	670	54,834
Additions	—	—	—	15,176	15,176
At 31 December 2009	280,231	834,839	—	15,846	1,130,916
At 1 January 2010	280,231	834,839	—	15,846	1,130,916
Through acquisition of subsidiaries (Note 39)	682,866	—	—	2,923	685,789
Transferred from construction in progress (Note 19)	—	—	2,472,552	—	2,472,552
Additions	—	—	565,187	3,508	568,695
At 31 December 2010	963,097	834,839	3,037,739	22,277	4,857,952
<b>Accumulated amortisation:</b>					
At 1 January 2009	—	—	—	—	—
Charge for the year	—	—	—	4,132	4,132
At 31 December 2009	—	—	—	4,132	4,132
At 1 January 2010	—	—	—	4,132	4,132
Charge for the year	—	—	86,118	3,570	89,688
At 31 December 2010	—	—	86,118	7,702	93,820
<b>Net book value:</b>					
At 31 December 2010	963,097	834,839	2,951,621	14,575	4,764,132
At 31 December 2009	280,231	834,839	—	11,714	1,126,784

Intangible assets of the Group's consolidated balance sheet mainly represent goodwill arose from business combinations, land use rights assigned by the PRC's land bureau with indefinite land use period and concession assets to operate wind power plants granted by the government under service concession arrangements. Useful lives of land use rights are indefinite and titles of these rights are not transferable.

The amortisation charge for the year is included in "depreciation and amortisation" in the consolidated statement of comprehensive income.

	The Company		Total
	Goodwill	Others	
	RMB'000	RMB'000	RMB'000
<b>Cost:</b>			
At 1 January 2009	45,457	—	45,457
Additions	—	9,765	9,765
At 31 December 2009	45,457	9,765	55,222
At 1 January 2010	45,457	9,765	55,222
Additions	—	25	25
At 31 December 2010	45,457	9,790	55,247
<b>Accumulated amortisation:</b>			
At 1 January 2009	—	—	—
Charge for the year	—	1,472	1,472
At 31 December 2009	—	1,472	1,472
At 1 January 2010	—	1,472	1,472
Charge for the year	—	1,957	1,957
At 31 December 2010	—	3,429	3,429
<b>Net book value:</b>			
At 31 December 2010	45,457	6,361	51,818
At 31 December 2009	45,457	8,293	53,750

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

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
 (Expressed in Renminbi unless otherwise indicated)

### 21 INTANGIBLE ASSETS (CONTINUED)

#### Impairment tests for cash generating units containing goodwill

Goodwill is allocated to the Group's cash-generating units ("CGU") identified according to operating segment.

The recoverable amounts of the CGUs are determined based on value-in-use calculations. These calculations use cash flow projections based on financial forecasts prepared by management covering a five-year period. Cash flows beyond the five-year period are projected using zero growth rates. The cash flows are discounted using a discount rate of 8%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

### 22 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2010	2009
	RMB'000	RMB'000
Unlisted investments, at cost	<b>20,749,232</b>	16,891,200

The following list contains only the particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, which principally affected the results, assets or liabilities of the Group:

Name of company	Paid up capital RMB'000	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiaries	
		%	%	%	
Sichuan Guang'an Power Generation Company Limited 四川廣安發電有限責任公司 ("Guang'an Company")	1,785,860	80	80	—	Generation and sale of electricity
Huadian Qingdao Power Generation Company Limited 華電青島發電有限公司	700,000	55	55	—	Generation and sale of electricity and heat
Huadian Weifang Power Generation Company Limited 華電濰坊發電有限公司 ("Weifang Company") (Note (i))	1,250,000	45	45	—	Generation and sale of electricity and heat
Huadian Zibo Thermal Power Company Limited 華電淄博熱電有限公司	374,800	100	100	—	Generation and sale of electricity and heat
Huadian Zhangqiu Power Generation Company Limited 華電章丘發電有限公司	750,000	87.5	87.5	—	Generation and sale of electricity and heat
Huadian Tengzhou Xinyuan Thermal Power Company Limited 華電滕州新源熱電有限公司	474,172	93.26	93.26	—	Generation and sale of electricity and heat
Huadian Xinxiang Power Generation Company Limited 華電新鄉發電有限公司	385,100	90	90	—	Generation and sale of electricity
Anhui Huadian Suzhou Power Generation Company Limited 安徽華電宿州發電有限公司	854,914	97	97	—	Generation and sale of electricity
Huadian Ningxia Lingwu Power Generation Company Limited 華電寧夏靈武發電有限公司	1,673,316	65	65	—	Generation and sale of electricity
Sichuan Huadian Luding Hydropower Company Limited 四川華電瀘定水電有限公司	1,266,090	100	100	—	Development of hydropower plant
Huadian Qingdao Heat Company Limited 華電青島熱力有限公司 ("Qindao Heat Company")	30,000	55	55	—	Sale of heat
Huadian Zouxian Power Generation Company Limited 華電鄒縣發電有限公司	3,000,000	69	69	—	Generation and sale of electricity
Huadian Ningxia Ningdong Wind Power Company Limited 華電寧夏寧東風電有限公司	90,000	100	100	—	Generation and sale of electricity
Anhui Huadian Wuhu Power Generation Company Limited 安徽華電蕪湖發電有限公司	1,000,000	65	65	—	Generation and sale of electricity
Huadian Suzhou Biomass Energy Power Company Limited 華電宿州生物質能發電有限公司	52,480	78	78	—	Generation and sale of electricity

## Notes to the Financial Statements (Continued)

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

The following list contains only the particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, which principally affected the results, assets or liabilities of the Group (continued):

Name of company	Paid up capital RMB'000	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiaries	
		%	%	%	
Huadian Inner Mongolia Kailu Wind Power Company Limited 華電內蒙古開魯風電有限公司	797,128	100	100	—	Generation and sale of electricity
Huadian Luohe Power Generation Company Limited 華電漯河發電有限公司	525,500	75	75	—	Generation and sale of electricity
Banshan Company 杭州華電半山發電有限公司	480,762	64	64	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Thermal Power Company Limited 河北華電石家莊熱電有限公司 ("Shijiazhuang Company")	789,740	82	82	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited 河北華電石家莊裕華熱電有限公司	500,000	87.87	—	100	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited 河北華電石家莊鹿華熱電有限公司	75,000	90	90	—	Development of coal-fired power plant
Hebei Huadian Complex Pumping-storage Power Company Limited 河北華電混合蓄能水電有限公司 ("Hebei Company")	10,000	100	100	—	Generation and sale of electricity
Huadian International Shandong Project Company Limited 華電國際山東項目管理有限公司	3,000	100	100	—	Management of construction project
Huadian International Shandong Information Company Limited 華電國際山東信息管理有限公司	3,000	100	100	—	Development and maintenance of information system to the Group
Huadian International Shandong Materials Company Limited 華電國際山東物資管理有限公司	50,000	100	100	—	Procurement of materials
Xinxiang Huadian Heat Company Limited 新鄉華電熱力有限公司	24,570	90	—	100	Sale of heat
Tengzhou Xinyuan Heat Company Limited 滕州新源熱力有限公司	30,000	65.28	—	70	Sale of heat
Sichuan Huadian Zagunao Hydroelectric Development Company Limited 四川華電雜谷腦水電開發有限責任公司 ("Zagunao Company")	628,983	64	64	—	Generation and sale of electricity
Huadian Laizhou Wind Power Generation Company Limited 華電萊州風電有限公司	146,060	55	55	—	Generation and sale of electricity
Hebei Huarui Energy Group Corporation Limited 河北華瑞能源集團有限公司	538,000	100	100	—	Generation and sale of electricity and heat
Hebei Huafeng Investment Company Limited 河北華峰投資有限公司	977,300	96.68	—	96.68	Energy projects investment
Hebei Fengyuan Industrial Company Limited 河北峰源實業有限公司	102,000	100	—	100	Sale of coal and chemical products
Shanxi Maohua Energy Investment Company Limited 山西茂華能源投資有限公司	1,547,000	100	100	—	Investment and management in coal, electricity and heat industry
Shanxi Dongyi Zhonghou Coal Company Limited 山西東易忠厚煤業有限公司	12,180	70	—	70	Resources consolidation, improvement and expansion services
Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited 山西朔州萬通源二鋪煤業有限公司	10,000	70	—	70	Resources consolidation, improvement and expansion services

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### 22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following list contains only the particulars of subsidiaries, all of which are limited liability companies established and operating in the PRC, which principally affected the results, assets or liabilities of the Group (continued):

Name of company	Paid up capital RMB'000	Proportion of ownership interest			Principal activities
		Group's effective interest %	Held by		
			the Company %	Held by subsidiaries %	
Hebei Huadian Guyuan Wind Power Company Limited 河北華電沽源風電有限公司	336,100	100	100	—	Generation and sale of electricity
Huadian Ningxia Shangde Solar Energy Company Limited 華電寧夏寧東尚德太陽能發電有限公司	38,000	60	60	—	Generation and sale of electricity
Huadian Kezuozhongqi Wind Power Company Limited 華電科左中旗風電有限公司	60,000	100	100	—	Development of wind power plant
Shandong Century Electric Power Development Corporation Limited 山東百年電力發展股份有限公司 ("Century Power Company") (Note 39(a))	488,000	84.31	84.31	—	Generation and sale of electricity and heat
Shaoguan Pingshi Power Plant Company Limited (B Plant) 韶關市坪石發電廠有限公司(B廠) ("Pingshi Power Company") (Note 39(b))	889,000	100	100	—	Generation and sale of electricity
Huadian Laizhou Power Generation Company Limited 華電萊州發電有限公司(Note (ii))	10,000	75	75	—	Development of coal-fired power plant
Hebei Huadian Kangbao Wind Power Company Limited 河北華電康保風電有限公司 (Note (ii))	5,000	100	100	—	Development of wind power plant
Anhui Huadian Lu'an Power Plant Company Limited 安徽華電六安電廠有限公司 (Note (ii))	104,400	95	95	—	Development of coal-fired power plant
Huadian Qudong Power Generation Company Limited 華電渠東發電有限公司 (Note (ii))	218,600	90	90	—	Development of coal-fired power plant
Huadian Zoucheng Heat Company Limited 華電鄒城熱力有限公司 (Note (ii))	80,000	70	70	—	Sale of heat
Shantou Huadian Power Generation Company Limited 汕頭華電發電有限公司 (Note (ii))	30,000	51	51	—	Development of coal-fired power plant
Guangdong Huadian Shaoguan Thermal Power Company Limited 廣東華電韶關熱電有限公司 (Note (ii))	20,000	100	100	—	Development of coal-fired power plant
Huadian Ningxia Yueliangshan Wind Power Company Limited 華電寧夏月亮山風電有限公司 (Note (ii))	35,000	100	100	—	Development of wind power plant
Shijiazhuang Heat Company 石家莊華電供熱集團有限公司 (Note 39(c))	207,370	89.18	49	49	Generation and sale of heat
Shijiazhuang Huadian Yuhua Heat Company Limited 石家莊華電裕華供熱有限公司 ("Yuhua Heat Company") (Note 39(c))	129,400	94.48	49	51	Generation and sale of heat
Shijiazhuang Huadian Luhua Heat Company Limited 石家莊華電鹿華供熱有限公司 ("Luhua Heat Company") (Note 39(c))	100,000	84.45	—	100	Development of heat company
Shijiazhuang Xijiao Heat Company Limited 石家莊西郊供熱有限公司 ("Xijiao Heat Company") (Note 39(c))	48,258	50.94	48.80	2.40	Generation and sale of heat
Shijiazhuang Yuxi Heat Company Limited 石家莊裕西供熱有限公司 ("Yuxi Heat Company") (Note 39(c))	10,000	100	100	—	Generation and sale of heat
Shijiazhuang Beicheng Heat Company Limited 石家莊北城供熱有限公司 ("Beicheng Heat Company") (Note 39(c))	10,000	97.51	77	23	Generation and sale of heat
Shijiazhuang Shiguang Heat Company Limited 石家莊時光供熱有限公司 ("Shiguang Heat Company") (Note 39(c))	8,600	58.13	51	8	Generation and sale of heat
Hebei Huadian Yuzhou Wind Company Limited 河北華電蔚州風電有限公司 (Note (ii))	20,000	100	—	100	Development of wind power plant

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### 22 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Notes:

- (i) According to the articles of association of this company, the Company holds majority of members in the board of directors of this company and therefore has the power to govern the financial and operating policies of this company as to obtain benefits from its activities.
- (ii) These companies were newly set up in 2010.
- (iii) The English translation of the names is for identification only. The official names of these entities are in Chinese.

### 23 INTERESTS IN ASSOCIATES

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	—	—	6,779,226	2,349,916
Share of net assets	9,041,315	3,969,310	—	—
	9,041,315	3,969,310	6,779,226	2,349,916
Less: impairment loss	—	—	(509,089)	(360,544)
	9,041,315	3,969,310	6,270,137	1,989,372

The following list contains only the particulars of associates, all of which are unlisted limited liabilities companies established and operating in the PRC, which principally affected the results or assets of the Group:

Name of company	Paid up capital	Proportion of ownership interest			Principal activities
		Group's effective interest	Held by the Company	Held by subsidiaries	
	RMB'000	%	%	%	
Ningxia Power Generation Company (Group) Limited 寧夏發電集團有限責任公司 ("Ningxia Power Company")	3,307,110	23.66	23.66	—	Generation and sale of electricity and investment holding
Anhui Chizhou Jiu Hua Power Generation Company Limited 安徽池州九華發電有限公司	640,000	40	40	—	Generation and sale of electricity
Huadian Property Co., Ltd. 華電置業有限公司 ("Huadian Property")	1,450,000	20	20	—	Property development
Sichuan Luzhou Chuannan Power Generation Company Limited 四川瀘州川南發電有限責任公司	915,000	40	40	—	Generation and sale of electricity
Huadian Coal 華電煤業集團有限公司 (Note (i))	3,406,000	17.94	16.89	1.28	Provision of coal procurement service
China Huadian Finance Corporation Limited 中國華電集團財務有限公司 ("China Huadian Finance") (Note (i))	5,000,000	15.91	14.93	1.53	Provision of corporate financial service to its group companies
Hengshui Hengxing Power Generation Company Limited 衡水恒興發電有限責任公司 ("Hengxing Company")	475,000	30	—	30	Generation and sale of electricity and heat
Hebei Jiantou Yuzhou Wind Power Company Limited 河北建投蔚州風能有限公司	206,000	44.08	—	44.08	Generation and sale of electricity
Xingtai Guotai Power Generation Company Limited 邢台國泰發電有限責任公司 ("Guotai Company")	400,000	33.84	—	35	Generation and sale of electricity and heat
Hebei Xibaipo Second Power Generation Company Limited 河北西柏坡第二發電有限責任公司 ("Xibaipo Company")	880,000	33.84	—	35	Generation and sale of electricity and heat

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### 23 INTERESTS IN ASSOCIATES (CONTINUED)

The following list contains only the particulars of associates, all of which are unlisted limited liabilities companies established and operating in the PRC, which principally affected the results or assets of the Group (continued):

Name of company	Paid up capital RMB'000	Proportion of ownership interest			Principal activities
		Group's effective interest %	Held by	Held by	
			the Company %	subsidiaries %	
Baoding Huacheng Residual Thermal Power Generation Company Limited 保定華誠餘熱發電有限公司 ("Huacheng Company")	12,930	33.33	—	33.33	Generation and sale of electricity and heat
Xingtai Xiangtai Thermal Power Company Limited 邢台翔泰熱電有限責任公司("Xiangtai Company")	4,000	26	—	26	Generation and sale of electricity and heat
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited 國電內蒙古東勝熱電有限公司 (Note(ii))	500,000	19.34	—	20	Generation and sale of electricity and heat
Guodian Huaian Thermal Power Company Limited 國電懷安熱電有限公司	514,800	33.84	—	35	Generation and sale of electricity and heat
Otog Front Banner Changcheng Mine Company Limited 鄂托克前旗長城煤礦有限責任公司	23,077	35	35	—	Sale of mines machinery and accessory
Inner Mongolia Fucheng Mining Company Limited 內蒙古福城礦業有限公司	150,000	35	35	—	Sale of ores steels products
Otog Front Banner Quanhui Trading Company Limited 鄂托克前旗權輝商貿有限公司(Note (iii))	5,000	35	35	—	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)
Otog Front Banner Baihui Trading Company Limited 鄂托克前旗百匯商貿有限公司(Note (iii))	5,000	35	35	—	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)
Otog Front Banner Zhengtai Trading Company Limited 鄂托克前旗正泰商貿有限公司(Note (iii))	6,770	35	35	—	Hardware & electro-mechanical products, dairy commodities, agriculture & livestock products wholesale and retail (under construction)
Linfen City Changfa Coal Coke Company Limited 臨汾市長發煤焦實業有限公司 ("Lingfen Changfa Company") (Note (iii))	10,000	19.75	—	33	Refined coal, coke and etc. wholesale and retail (under construction)
Ningdong Railway Corporation Limited 寧東鐵路股份有限公司 ("Ningdong Railway Company") (Note (ii))	3,000,000	10	10	—	Railway development and management
Ningxia Yinxing Coal Company Limited 寧夏銀星煤業有限公司 (Note (iii))	611,000	45	45	—	Development of coal mines

Notes:

- According to the articles of association of these companies, the Company has the representation in the board of directors and therefore can participate in the financial and operating policy of these companies so as to have significant influence in their activities.
- This company was acquired through the acquisition of Century Power Company in 2010 (Note 39(a)).
- These companies were acquired by the Company in 2010.
- The English translation of the names is for identification only. The official names of these entities are in Chinese.

### Summary financial information on associates

	Assets RMB'000	Liabilities RMB'000	Equity RMB'000	Revenues RMB'000	Profit RMB'000
<b>2010</b>					
100 percent	100,047,678	(63,850,487)	36,197,191	29,969,799	1,435,251
Group's effective interest	24,700,992	(15,492,285)	9,208,707	7,580,813	269,280
<b>2009</b>					
100 percent	82,802,719	(67,230,966)	15,571,753	19,938,312	827,411
Group's effective interest	22,975,870	(18,835,335)	4,140,535	6,014,670	212,399



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### 24 INTEREST IN A JOINTLY CONTROLLED ENTITY

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted investments, at cost	—	—	142,800	142,800
Share of net assets	227,237	221,799	—	—
	<b>227,237</b>	<b>221,799</b>	<b>142,800</b>	<b>142,800</b>

The particulars of the jointly controlled entity, which is an unlisted limited liability company established and operating in the PRC, at 31 December 2010 are as follows:

Name of company	Paid up capital	Proportion of ownership interest		Principal activities
		Group's effective interest	Held by the Company	
	RMB'000	%	%	
Ningxia Zhongning Power Generation Company Limited 寧夏中寧發電有限責任公司	285,600	50	50	Generation and sale of electricity

Note: The English translation of the name is for identification only. The official name of this entity is in Chinese.

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

	2010	2009
	RMB'000	RMB'000
Non-current assets	873,207	920,467
Current assets	109,305	119,525
Non-current liabilities	(656,880)	(720,524)
Current liabilities	(98,395)	(97,669)
Net assets	<b>227,237</b>	<b>221,799</b>
Revenue	426,380	335,592
Expenses	(420,942)	(331,147)
Profit for the year	<b>5,438</b>	<b>4,445</b>

### 25 OTHER INVESTMENTS

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted, equity securities, at cost	261,376	578,542	160,309	460,309
Listed available-for-sale equity securities in PRC	42,906	58,288	—	—
	<b>304,282</b>	<b>636,830</b>	<b>160,309</b>	<b>460,309</b>

### 26 OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for the proposed investments	270,810	1,722,896	270,810	439,043
Long-term receivables from subsidiaries	—	—	501,122	—
Other long-term receivable	68,393	—	—	—
	<b>339,203</b>	<b>1,722,896</b>	<b>771,932</b>	<b>439,043</b>

Other long-term receivables are neither past due nor impaired and bear interest at 5.76% per annum.

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
 (Expressed in Renminbi unless otherwise indicated)

### 27 INVENTORIES

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Coal, gas and stalk	1,210,681	908,239	164,630	125,907
Fuel oil	93,865	68,753	32,725	23,374
Materials, components and spare parts	455,693	369,177	138,823	139,017
	<b>1,760,239</b>	<b>1,346,169</b>	<b>336,178</b>	<b>288,298</b>

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

### 28 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Trade debtors and bills receivable for the sale of electricity	3,752,420	3,360,934	662,257	550,287
Trade debtors and bills receivable for the sale of heat	234,386	252,961	5,338	—
Trade debtors and bills receivable for other operations	13,778	1,964	2,310	1,581
	<b>4,000,584</b>	<b>3,615,859</b>	<b>669,905</b>	<b>551,868</b>
Less: allowance for doubtful debts (Note 28(b))	<b>(19,910)</b>	<b>(32,633)</b>	<b>—</b>	<b>—</b>
	<b>3,980,674</b>	<b>3,583,226</b>	<b>669,905</b>	<b>551,868</b>

#### (a) Ageing analysis

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

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Current	3,807,966	3,558,083	669,905	551,868
Less than 1 year past due	165,642	20,570	—	—
1 to 2 years past due	2,493	—	—	—
2 to 3 years past due	—	—	—	—
More than 3 years past due	4,573	4,573	—	—
Amount past due	<b>172,708</b>	<b>25,143</b>	<b>—</b>	<b>—</b>
	<b>3,980,674</b>	<b>3,583,226</b>	<b>669,905</b>	<b>551,868</b>

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

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

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

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

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January	32,633	32,633	—	—
Reversal of impairment loss	(12,723)	—	—	—
At 31 December	<b>19,910</b>	<b>32,633</b>	<b>—</b>	<b>—</b>

At 31 December 2010, the Group's trade debtors and bills receivable totalling of RMB24,483,000 (2009: RMB37,206,000) were individually determined to be impaired. None of the Company's trade debtors and bills receivable were individually determined to be impaired. Management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB19,910,000 (2009: RMB32,633,000) was recognised. The Group does not hold any collateral over these balances.

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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### 28 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

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

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

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	<b>3,807,966</b>	3,558,083	<b>669,905</b>	551,868
Less than 1 year past due	<b>165,642</b>	20,570	—	—
1 to 2 years past due	<b>2,493</b>	—	—	—
	<b>3,976,101</b>	3,578,653	<b>669,905</b>	551,868

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

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

### 29 RESTRICTED DEPOSITS

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

### 30 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank and in hand	<b>630,937</b>	655,679	<b>126,343</b>	175,008
Cash at other financial institutions	<b>574,513</b>	482,369	<b>30,476</b>	17,131
Deposits with banks and other financial institutions	<b>30,308</b>	103,852	—	1,047
	<b>1,235,758</b>	1,241,900	<b>156,819</b>	193,186

### 31 BORROWINGS

#### (a) Bank loans

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
— short term bank loans	<b>17,856,330</b>	12,707,006	<b>7,896,120</b>	3,856,783
— current portion of long term bank loans	<b>5,410,534</b>	3,751,915	<b>862,270</b>	470,000
	<b>23,266,864</b>	16,458,921	<b>8,758,390</b>	4,326,783
After 1 year but within 2 years	<b>6,844,177</b>	5,240,806	<b>400,000</b>	1,082,820
After 2 years but within 5 years	<b>13,402,142</b>	11,181,151	<b>740,369</b>	100,000
After 5 years	<b>23,669,254</b>	20,139,642	—	—
	<b>43,915,573</b>	36,561,599	<b>1,140,369</b>	1,182,820
	<b>67,182,437</b>	53,020,520	<b>9,898,759</b>	5,509,603

All of the bank loans are unsecured, except for amounts totalling RMB12,096,533,000 (2009: RMB13,193,930,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity and trade debtors for the sale of electricity, and a loan amounting to RMB2,004,720,000 (2009: RMB Nil) which was secured by lease prepayments and property, plant and equipment with an aggregate carrying value of RMB219,302,000 (2009: RMB Nil) of a subsidiary. None of the bank loans contain financial covenants.

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

### 31 BORROWINGS (CONTINUED)

#### (a) Bank loans (continued)

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

	The Group	
	2010	2009
	RMB'000	RMB'000
<b>Renminbi loans</b>		
Floating interest rates mainly ranging from 4.37% to 6.40% per annum as at 31 December 2010 (2009: 4.05% to 5.51%), with maturities up to 2035	50,890,459	44,195,992
Fixed interest rates mainly ranging from 3.60% to 5.56% per annum as at 31 December 2010 (2009: 3.40% to 5.94%), with maturities up to 2014	14,811,829	7,495,223
<b>US dollar loans</b>		
Floating interest rates mainly ranging from 1.80% to 4.34% per annum as at 31 December 2010 (2009: 1.77% to 5.23%), with maturities up to 2017	1,347,581	1,168,538
<b>EUR loans</b>		
Fixed interest rate of 2.25% per annum as at 31 December 2010 (2009: 2.25%), with maturity up to 2022	132,568	160,767
	<b>67,182,437</b>	<b>53,020,520</b>

	The Company	
	2010	2009
	RMB'000	RMB'000
<b>Renminbi loans</b>		
Floating interest rates mainly ranging from 4.37% to 5.265% per annum as at 31 December 2010 (2009: 4.37% to 4.86%), with maturities up to 2013	2,570,370	3,342,000
Fixed interest rates mainly ranging from 4.37% to 5.00% per annum as at 31 December 2010 (2009: 4.37% to 4.78%), with maturities up to 2011	6,017,000	1,040,000
<b>US dollar loans</b>		
Floating interest rates mainly ranging from 1.80% to 3.73% per annum as at 31 December 2010 (2009: 1.77% to 2.17%), with maturities up to 2011	1,311,389	1,127,603
	<b>9,898,759</b>	<b>5,509,603</b>

The Group and the Company have US dollar bank loans amounting to US\$ 203,479,081 (2009: US\$171,134,000) and US\$198,014,406 (2009: US\$165,139,000) respectively. The Group has EUR bank loan amounting to EUR 15,053,416 (2009: EUR16,410,000).

#### (b) Loans from shareholders

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
— short term shareholders loans	1,250,000	1,134,310	1,250,000	674,310
— current portion of long term shareholders loans	750,000	570,603	750,000	335,000
	<b>2,000,000</b>	<b>1,704,913</b>	<b>2,000,000</b>	<b>1,009,310</b>
After 1 year but within 2 years	—	750,000	—	750,000
After 2 years but within 5 years	1,270,875	618,958	115,920	38,789
After 5 years	100,500	650,000	—	—
	<b>1,371,375</b>	<b>2,018,958</b>	<b>115,920</b>	<b>788,789</b>
	<b>3,371,375</b>	<b>3,723,871</b>	<b>2,115,920</b>	<b>1,798,099</b>

## Notes to the Financial Statements (Continued)

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

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

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

	The Group	
	2010	2009
	RMB'000	RMB'000
<b>Loans from Shandong International Trust Corporation ("SITC")</b>		
Floating interest rates ranging from 4.59% to 5.76% per annum as at 31 December 2010 (2009: 4.43% to 5.94%), with maturities up to 2011	1,700,000	1,385,000
Fixed interest rate is 4.82% per annum as at 31 December 2010 (2009: 4.03% to 7.30%), with maturity up to 2011	300,000	1,009,913
<b>Loans from China Huadian</b>		
Fixed interest rates ranging from 4.15% to 5.40% per annum as at 31 December 2010 (2009: 4.15% to 5.62%), with maturities up to 2021	1,371,375	1,328,958
	<b>3,371,375</b>	<b>3,723,871</b>

	The Company	
	2010	2009
	RMB'000	RMB'000
<b>Loans from SITC</b>		
Floating interest rates ranging from 4.59% to 5.76% per annum as at 31 December 2010 (2009: 4.43% to 5.94%), with maturities up to 2011	1,700,000	1,385,000
Fixed interest rate is 4.82% per annum as at 31 December 2010 (2009: 4.25% to 4.78%), with maturities up to 2011	300,000	374,310
<b>Loans from China Huadian</b>		
Fixed interest rate of 5.18% per annum as at 31 December 2010 (2009: 5.18%), with maturities up to 2015	115,920	38,789
	<b>2,115,920</b>	<b>1,798,099</b>

Note: At 31 December 2010, except for certain loans from China Huadian of the Group and the Company with a total nominal outstanding balance of RMB336,830,000 (2009: RMB220,690,000) and RMB140,120,000 (2009: RMB47,480,000) respectively, which are non-interest bearing, all loans from SITC and China Huadian of the Group and the Company are unsecured, interest bearing based on their respective costs of funds and with repayment terms disclosed above.

#### (c) State loans

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
— current portion of long term state loans	13,401	12,893	12,510	12,002
After 1 year but within 2 years	17,101	13,757	7,103	12,866
After 2 years but within 5 years	33,098	12,003	3,055	9,331
After 5 years	53,500	11,455	5,091	6,109
	<b>103,699</b>	<b>37,215</b>	<b>15,249</b>	<b>28,306</b>
	<b>117,100</b>	<b>50,108</b>	<b>27,759</b>	<b>40,308</b>

## Notes to the Financial Statements (Continued)

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### 31 BORROWINGS (CONTINUED)

#### (c) State loans (continued)

	The Group	
	2010	2009
	RMB'000	RMB'000
<b>Renminbi loans</b>		
Fixed interest rates mainly ranging from 2.55% to 2.82% per annum as at 31 December 2010 (2009: 2.55% to 2.82%), with maturities up to 2020	<b>19,091</b>	21,000
<b>US dollar loan</b>		
Floating interest rate of 0.98% per annum as at 31 December 2010 (2009: 1.36%) with maturity up to 2012	<b>17,578</b>	29,108
<b>EUR loan</b>		
Fixed interest rate is 3.09% per annum as at 31 December 2010 with maturity up to 2048	<b>80,431</b>	—
	<b>117,100</b>	50,108
	<b>117,100</b>	50,108
	<b>117,100</b>	50,108

	The Company	
	2010	2009
	RMB'000	RMB'000
<b>Renminbi loans</b>		
Fixed interest is 2.55% per annum as at 31 December 2010 (2009: 2.55%), with maturities up to 2020	<b>10,181</b>	11,200
<b>US dollar loan</b>		
Floating interest rate of 0.98% per annum as at 31 December 2010 (2009: 1.36%) with maturity up to 2012	<b>17,578</b>	29,108
	<b>27,759</b>	40,308
	<b>27,759</b>	40,308
	<b>27,759</b>	40,308

The RMB state loans represents loans of RMB12,273,000 obtained from Ministry of Finance of the PRC in 2006 and a loan of RMB6,818,000 obtained from Ministry of Finance of Weifang Municipal Government in 2005. All RMB state loans are unsecured.

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

The Euro state loan represents a loan facility maximum of Euro 14.5 million granted by the KfW Bankengruppe of Germany to the PRC State Government pursuant to a loan agreement entered into in December 2008 base on a series of bilateral financial cooperation agreements between The Federal Republic of Germany and the PRC State Government. The loan is to finance the Qingdao central heating system under the Energy Efficiency programme. The PRC State Government on-lent the loan facility to Qingdao Heat Company through China Agricultural Bank and is guaranteed by Qingdao Finance Bureau.

#### (d) Other loans

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Due:				
Within 1 year				
— short term other loans	<b>5,193,000</b>	2,952,064	<b>2,300,000</b>	850,000
— current portion of long term other loans	<b>1,091,470</b>	228,485	<b>200,000</b>	—
	<b>6,284,470</b>	3,180,549	<b>2,500,000</b>	850,000
After 1 year but within 2 years	<b>1,744,580</b>	1,551,470	<b>1,200,000</b>	200,000
After 2 years but within 5 years	<b>2,212,860</b>	1,772,710	<b>200,000</b>	900,000
After 5 years	<b>811,907</b>	497,397	—	—
	<b>4,769,347</b>	3,821,577	<b>1,400,000</b>	1,100,000
	<b>11,053,817</b>	7,002,126	<b>3,900,000</b>	1,950,000
	<b>11,053,817</b>	7,002,126	<b>3,900,000</b>	1,950,000
	<b>11,053,817</b>	7,002,126	<b>3,900,000</b>	1,950,000

## Notes to the Financial Statements (Continued)

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### 31 BORROWINGS (CONTINUED)

#### (d) Other loans (continued)

All of the other loans are unsecured except for amounts totalling RMB428,292,000 (2009: RMB472,270,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity of these subsidiaries. All of the other loans are denominated in RMB in 2010. Details of the interest rates and maturity dates of other loans are as follows:

	The Group	
	2010	2009
	RMB'000	RMB'000
<b>Loans from China Huadian Finance</b>		
Floating interest rates ranging from 4.86% to 5.76% per annum as at 31 December 2010 (2009: 4.37% to 5.35%), with maturities up to 2025	4,428,217	3,497,756
Fixed interest rates ranging from 4.59% to 5.00% per annum as at 31 December 2010 (2009: 4.37% to 4.78%), with maturities up to 2011	3,690,000	680,000
<b>Others</b>		
Floating interest rates ranging from 4.44% to 5.60% per annum as at 31 December 2010 (2009: 3.19% to 5.40%), with maturities up to 2021	2,042,600	1,665,080
Fixed interest rates ranging from 4.62% to 5.10% per annum as at 31 December 2010 (2009: 4.13% to 4.86%), with maturities up to 2012	893,000	1,159,290
	<b>11,053,817</b>	<b>7,002,126</b>

	The Company	
	2010	2009
	RMB'000	RMB'000
<b>Loans from China Huadian</b>		
Finance Floating interest rate is 5.27% per annum as at 31 December 2010 (2009: 4.37% to 4.86%), with maturities up to 2011	200,000	700,000
Fixed interest rates ranging from 4.59% to 5.00% per annum as at December 2010 (2009: Nil) with maturities up to 2011	2,250,000	—
<b>Others</b>		
Floating interest rates ranging from 4.93% to 5.60% per annum as at 31 December 2010 (2009: 4.75% to 5.18%), with maturities up to 2014	1,400,000	900,000
Fixed interest rates is 4.78% per annum as at 31 December 2010 (2009: 4.62% to 4.78%), with maturities up to 2011	50,000	350,000
	<b>3,900,000</b>	<b>1,950,000</b>

#### (e) Short-term debenture payables

	The Company and the Group	
	2010	2009
	RMB'000	RMB'000
First tranche of short-term debentures for the year of 2009	—	1,500,889
Second tranche of short-term debentures for the year of 2009	—	1,502,034
First tranche of short-term debentures for the year of 2010	1,510,495	—
Second tranche of short-term debentures for the year of 2010	1,498,488	—
	<b>3,008,983</b>	<b>3,002,923</b>

## Notes to the Financial Statements (Continued)

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

#### (e) Short-term debenture payables (continued)

On 11 November 2009, the Company issued the first and second tranche of short-term debentures for the year of 2009 in the PRC interbank debenture market. Each tranche was issued at a total par value of RMB1,500,000,000. The first tranche has a maturity period of 365 days and bears interest at 2.98% per annum. The second tranche has a maturity period of 270 days and bears interest at 2.80% per annum. The short-term debentures were repaid on 10 August 2010 and 13 November 2010 respectively.

On 1 September 2010 and 6 December 2010, the Company issued the first and second tranche of short-term debentures for the year of 2010 respectively in the PRC interbank debenture market. Each tranche was issued at a total par value of RMB1,500,000,000. The first tranche has a maturity period of 365 days and bears interest at 2.89% per annum. The second tranche has a maturity period of 365 days and bears interest at 3.80% per annum. Both tranches are unsecured.

#### (f) Medium-term notes

	The Company and the Group	
	2010	2009
	RMB'000	RMB'000
First tranche of medium-term notes for the year of 2009	1,494,556	1,490,060
Second tranche of medium-term notes for the year of 2009	1,485,460	1,480,962
First tranche of medium-term notes for the year of 2010	2,366,425	—
	<b>5,346,441</b>	<b>2,971,022</b>

On 17 March 2009 and 25 March 2009, the Company issued the first and second tranche of medium-term notes for the year of 2009 respectively in the PRC interbank debenture market. The first tranche are 3-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each with an interest rate of 3.38% per annum. The second tranche are 5-year notes totalling RMB1,500,000,000 issued at par value of RMB100 each with an interest rate of 3.96% per annum. Both tranches of medium-term notes are unsecured.

On 30 August 2010, the Company issued the first tranche of medium-term notes for the year of 2010 in the PRC interbank debenture market. The medium-term notes are unsecured 5-year notes totalling RMB2,400,000,000 issued at par value of RMB100 with an interest rate of 3.78% per annum.

### 32 TRADE CREDITORS AND BILLS PAYABLE

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

### 33 LONG-TERM PAYABLE

Long-term payables mainly represent the non-current payables to local governments for mining rights and default bank loans undertaken by a subsidiary under guarantee agreements and a liability transfer agreement entered into between the bank, borrowers and the subsidiary.

### 34 INCOME TAX IN THE BALANCE SHEET

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

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for PRC enterprise income tax for the year	172,583	113,847	—	—
Payments made relating to the current year	(120,594)	(101,917)	—	—
Balance of PRC enterprise income tax relating to prior years	(54,275)	(49,235)	(23,907)	(23,907)
Net PRC enterprise income tax recoverable	<b>(2,286)</b>	<b>(37,305)</b>	<b>(23,907)</b>	<b>(23,907)</b>
Representing:				
Tax payable	63,815	24,217	—	—
Tax recoverable	(66,101)	(61,522)	(23,907)	(23,907)
	<b>(2,286)</b>	<b>(37,305)</b>	<b>(23,907)</b>	<b>(23,907)</b>



## Notes to the Financial Statements (Continued)

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### 34 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

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

##### (i) The Group

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

	At 1 January 2009	Through acquisition of subsidiaries	Credited/ (charged) to profit or loss	Charged to reserve	At 31 December 2009	Through acquisition of subsidiaries	Credited/ (charged) to profit or loss	Credited to reserve	At 31 December 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for inventories and receivables	24,883	—	274	—	25,157	9,936	(5,824)	—	29,269
Depreciation of property, plant and equipment	(708,794)	—	(91,236)	—	(800,030)	(2,023)	(78,585)	—	(880,638)
Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment	(300,607)	(321,709)	11,794	(7,185)	(617,707)	(666,123)	33,924	5,846	(1,244,060)
Long-term payables discounting	—	—	—	—	—	(172,163)	—	—	(172,163)
Expenses to be claimed on paid basis	24,432	—	2,113	—	26,545	2,948	(19,988)	—	9,505
Tax losses	261,416	—	83,199	—	344,615	—	96,612	—	441,227
Others	(3,281)	—	9,399	—	6,118	31,966	(4,464)	—	33,620
	<u>(701,951)</u>	<u>(321,709)</u>	<u>15,543</u>	<u>(7,185)</u>	<u>(1,015,302)</u>	<u>(795,459)</u>	<u>21,675</u>	<u>5,846</u>	<u>(1,783,240)</u>
			(Note 13(a))	(Note 15)		(Note 39)	(Note 13(a))	(Note 15)	

##### (ii) The Company

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

	At 1 January 2009	Credited/ (charged) to profit or loss	At 31 December 2009	Charged to profit or loss	At 31 December 2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for inventories and receivables	14,250	335	14,585	(446)	14,139
Fair value adjustment on equity investment	(62,280)	—	(62,280)	—	(62,280)
Expenses to be claimed on paid basis	7,023	672	7,695	(6,804)	891
Tax losses	28,700	(28,700)	—	—	—
Unrealised exchange gain	(28,700)	28,700	—	—	—
	<u>(41,007)</u>	<u>1,007</u>	<u>(40,000)</u>	<u>(7,250)</u>	<u>(47,250)</u>

##### (iii) Reconciliation to the balance sheet

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Net deferred tax asset recognised in the Balance sheet	<b>285,109</b>	267,001	—	—
Net deferred tax liability recognised in the Balance sheet	<b>(2,068,349)</b>	(1,282,303)	<b>(47,250)</b>	(40,000)
Net PRC enterprise income tax recoverable	<b>(1,783,240)</b>	(1,015,302)	<b>(47,250)</b>	(40,000)

## Notes to the Financial Statements (Continued)

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### 34 INCOME TAX IN THE BALANCE SHEET (CONTINUED)

#### (c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(u), the Group and the Company have not recognised deferred tax assets in respect of cumulative tax losses of RMB2,989,186,000 (2009: RMB1,747,596,000) and RMB520,119,000 (2009: RMB610,795,000) respectively. The expiration of tax losses under current tax legislation is as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
2011	23,878	—	—	—
2012	9,945	—	—	—
2013	1,550,174	1,626,546	520,119	610,795
2014	149,800	121,050	—	—
2015	1,255,389	—	—	—
	<b>2,989,186</b>	<b>1,747,596</b>	<b>520,119</b>	<b>610,795</b>

### 35 DEFERRED INCOME

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

The upfront connection and installation fee recognised for the year amounting to RMB9,613,000 (2009: RMB7,019,000) is included in "Other revenue and net income" in the consolidated statement of comprehensive income (Note 8).

### 36 SHARE CAPITAL, RESERVES AND DIVIDENDS

#### (a) Movements in components of equity

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

	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained profits	Total equity
	RMB'000 (Note 36(c))	RMB'000 (Note 36(d)(i))	RMB'000 (Note 36(d)(ii))	RMB'000	RMB'000	RMB'000
Balance at 1 January 2009	6,021,084	1,908,523	1,404,520	68,089	2,317,058	11,719,274
Shares issued (Note 36(c))	750,000	2,703,700	—	—	—	3,453,700
Appropriation	—	—	13,404	—	(13,404)	—
Total comprehensive income for the year	—	—	—	—	52,888	52,888
Balance at 31 December 2009 and 1 January 2010	6,771,084	4,612,223	1,417,924	68,089	2,356,542	15,225,862
Appropriation	—	—	47,541	—	(47,541)	—
Contribution from the holding company	—	20,683	—	—	—	20,683
Dividends approved for equity shareholders of the Company (Note 36(b))	—	—	—	—	(236,988)	(236,988)
Total comprehensive income for the year	—	—	—	—	144,567	144,567
Balance at 31 December 2010	<b>6,771,084</b>	<b>4,632,906</b>	<b>1,465,465</b>	<b>68,089</b>	<b>2,216,580</b>	<b>15,154,124</b>

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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### 36 SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (b) Dividends

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

	2010		2009	
	RMB'000		RMB'000	
Final dividend proposed after balance sheet date of RMB Nil per share (2009: RMB0.035 per share)		—		236,988

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

Pursuant to a resolution passed at the Directors' meeting held on 30 March 2011, no dividend will be payable to shareholders for 2010, subject to the approval of the shareholders at the coming Annual General Meeting.

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

	2010		2009	
	RMB'000		RMB'000	
Final dividend in respect of the previous financial year approved and paid during the year, of RMB0.035 per share (2009: RMB Nil per share)		236,988		—

#### (c) Share capital

	2010		2009	
	No. of shares		No. of shares	
	'000	RMB'000	'000	RMB'000
<b>Ordinary shares, registered issued and fully paid:</b>				
<b>A shares of RMB1 each</b>				
At 1 January	5,340,056	5,340,056	4,590,056	4,590,056
Shares issued	—	—	750,000	750,000
At 31 December	5,340,056	5,340,056	5,340,056	5,340,056
<b>H shares of RMB1 each</b>				
At 1 January and 31 December	1,431,028	1,431,028	1,431,028	1,431,028
<b>Total</b>				
At 1 January	6,771,084	6,771,084	6,021,084	6,021,084
At 31 December	6,771,084	6,771,084	6,771,084	6,771,084

All shares rank pari passu in all material respects.

On 1 December 2009, the Company completed a non-public offering to target subscribers to issue 750,000,000 A shares with a nominal value of RMB1 each at an issue price of RMB4.70 each. The 750,000,000 shares are listed on the Shanghai Stock Exchange but are subject to a period of restriction for disposal imposed ranging from 1 to 3 years from the date of completion of the issue. As at 31 December 2010, 150,000,000 shares (2009:750,000,000 shares) issued to target subscribers were still subject to restriction of disposal. Total net proceeds of the shares issued was RMB3,453,700,000, of which RMB750,000,000 was credited to share capital and the balance of RMB2,703,700,000 was credited to the capital reserve account.

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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### 36 SHARE CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

#### (d) Nature and purposes of reserves

##### (i) Capital reserve

Capital reserve represents premium received from issuance of shares, less expenses, and share of an associate's capital reserve movements which are required to be included in this reserve by the PRC regulations and the difference between the fair value of the interest-free loans provided by the holding company initially recognised in the financial statement and the nominal amount of loans received by the Group.

##### (ii) Statutory surplus reserves

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

The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital. The Board of Directors resolved to transfer 10% of the profit for the year ended 31 December 2010 (2009: 10%) to this reserve on 30 March 2011.

##### (iii) Revaluation reserve

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

##### (iv) Fair value reserve

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

#### (e) Distributability of reserves

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2010, the retained profits available for distribution were RMB2,216,580,000 (2009: RMB2,356,542,000).

#### (f) Capital management

The Group's capital management objectives are:

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

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

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

The liabilities to assets ratio as at 31 December 2010 and 2009 were as follows:

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Total liabilities	106,698,578	79,934,740	26,170,020	17,284,169
Total assets	128,561,399	101,239,898	41,324,144	32,510,031
Liabilities to assets ratio	83%	79%	63%	53%

## Notes to the Financial Statements (Continued)

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### 37 MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2009 and 2010:

		2010	2009
	Note	RMB'000	RMB'000
Construction costs and equipment costs paid and payable to fellow subsidiaries	(i)	148,246	194,526
Interest expenses paid to shareholders	(ii)	177,872	147,702
Interest expenses paid to associates	(ii)	263,152	209,007
Interest expenses paid to a fellow subsidiary	(ii)	24,845	2,249
Loans obtained from shareholders	(ii)	1,593,917	1,912,343
Loans obtained from an associate	(ii)	7,595,000	3,070,000
Loans obtained from fellow subsidiaries	(ii)	1,080,000	80,000
Loans repaid to shareholders	(ii)	1,946,413	800,000
Loans repaid to an associate	(ii)	3,654,539	2,280,940
Loans repaid to fellow subsidiaries	(ii)	1,080,000	—
Agency fees paid to a fellow subsidiary	(iii)	1,510	800
Service fees paid to an associate	(iv)	60,950	54,632
Interest income from associates	(v), (x)	15,664	13,543
Properties rental and management fees payable to fellow subsidiaries	(vi)	56,060	42,046
Sale of electricity rights to associates	(vii)	186,390	169,393
Purchase of electricity from associates	(vii)	327,235	275,129
Freight paid to an associate	(ix)	18,826	—
Sale of heat to associates	(xi)	756,618	664,378

## Notes to the Financial Statements (Continued)

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### 37 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:

		2010	2009
	Note	RMB'000	RMB'000
Prepaid construction costs to fellow subsidiaries	(i)	91,760	46,271
Construction and equipment costs payable to fellow subsidiaries	(i)	(51,628)	(45,334)
Loans from shareholders	(ii)	(3,371,375)	(3,723,871)
Loans from an associate	(ii)	(8,118,217)	(4,177,756)
Loans from fellow subsidiaries	(ii)	(80,000)	(80,000)
Deposits with an associate	(v)	604,821	582,758
Trade receivables from associates	(vii)	11,584	9,096
Trade payables to associates	(iv), (vii)	(1,115)	(1,301)
Other payable to shareholder	(viii)	(79,165)	(75,190)
Prepaid freight to an associate	(ix)	1,007	—
Loans to an associate	(x)	48,068	—

- (i) The amount represented construction costs and equipment costs paid and payable to China Huadian Engineering (Group) Company and its subsidiaries.
- (ii) Details of loans from SITC, China Huadian, China Huadian Finance, Huadian Coal, CHD Operation, CHD Capital and Huadian Tendering are set out in note 31.
- (iii) Agency fees represented amount paid to CHD Capital for provision of factoring services by 0.1% of financing amount.
- (iv) Service fees represented amount paid to Huadian Coal for provision of management and co-ordination services in relation to coal procurement in the PRC. The service fee, which was determined by reference to the prevailing market rates for similar services and volume, shall not be more than RMB3 per tonne of coal purchased.
- (v) The amount represented saving accounts and fixed deposits with China Huadian Finance, a non-bank financial institution in PRC, which bears interest ranging from 0.36% to 1.17% (2009: 0.36% to 1.17%) per annum.
- (vi) The amount represented the rental of leasehold properties from Anfu Company at an annual rental of approximately RMB49,001,349 and the fee for the related property management services provided by Huadian Technology & Trade Co., Ltd at an annual fee of approximately RMB7,059,452.
- (vii) The amount represented sale of electricity rights to and purchase of electricity from associates under power generation substitution agreements entered into between the Group and associates. Prices were determined by reference to sellers' production costs and buyers' applicable on-grid tariffs as determined by the National Development and Reform Commission of the PRC.
- (viii) Other payable to shareholder represented outstanding consideration payable to China Huadian for acquisition of Banshan Company, Hebei Company, Shijiazhuang Company and Zagunao Company and amounts paid by China Huadian on the Group's behalf.
- (ix) The amount represents freight costs paid to Ningdong Railway Company for provision of coal transportation services. The freight rate was determined by reference to the market price of similar services.
- (x) The loans to an associate are unsecured, bear interest at 5.40% per annum. According to the terms of the agreements, these loans would be repayable in 2011.
- (xi) The amount represented sale of heat to Shijiazhuang Heat Company, which was changed from a associate to a subsidiary of the Company as the Company acquired 49% equity interest in Shijiazhuang Heat Company on 31 December 2010 (Note 39(c)).
- (xii) At 31 December 2010, Guang'an Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB175,457,000 (2009: RMB189,407,000).
- (xiii) At 31 December 2010, China Huadian provided guarantee to banks for loans granted to the Group amounting to RMB132,568,000 (2009: RMB160,767,000).

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

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and supervisors as disclosed in note 11 and certain of the highest paid employees as disclosed in note 12, is as follows:

	2010	2009
	RMB'000	RMB'000
Salaries and other emoluments	3,405	2,997
Retirement benefits	341	331
Bonuses	2,407	2,654
Deferred compensation plan	602	664
	<b>6,755</b>	<b>6,646</b>

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

## Notes to the Financial Statements (Continued)

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### 37 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

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

Apart from transactions mentioned in notes 37(a), (b) and (c), the Group has transactions with other state-controlled entities included but not limited to the following:

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

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

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:

	2010	2009
	RMB'000	RMB'000
Sale of electricity to power grid companies	43,180,075	34,837,806
Interest expenses	2,870,107	2,259,995
Purchase of construction materials and receiving construction work service	13,548,779	11,820,750
	<b>49,598,961</b>	<b>48,918,551</b>

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

	2010	2009
	RMB'000	RMB'000
Receivables from sale of electricity	3,724,465	3,342,667
Loans payables	(62,380,028)	(40,485,621)
Cash at bank	419,119	539,352
Prepayments	7,565,990	6,677,232
Trade and other payables	(7,987,176)	(5,469,954)
	<b>(58,767,620)</b>	<b>(35,036,934)</b>

### 38 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at a rate of 20% (2009: 20%) of the total staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group and its staff participate in a retirement plan managed by China Huadian to supplement the above-mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB298,333,000 during the year (2009: RMB282,117,000) which was charged to the consolidated statement of comprehensive income.

### 39 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

#### (a) Acquisition of Century Power Company and its subsidiaries ("Century Power Group")

On 1 May 2010, the Company obtained control of Century Power Group, a group of companies which are principally engaged in the generation and sale of electricity in Shandong Province in the PRC, by acquiring 84.31% of the equity and voting interests in Century Power Company.

The acquisition of Century Power Group is expected to enhance the Group's overall profitability and improve the operating result of the Group in Shandong area and therefore may contribute to better return to the shareholders of the Company.

In the period from 1 May 2010 to 31 December 2010 Century Power Group contributed turnover of RMB1,522,110,000 and profit of RMB59,366,000 to the Group's results. If the acquisition had occurred on 1 January 2010, management estimates that consolidated turnover for the year of the Group would have been RMB45,951,610,000 and consolidated profit for the year of the Group would have been RMB94,686,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2010.

## Notes to the Financial Statements (Continued)

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## 39 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

(a) Acquisition of Century Power Company and its subsidiaries ("Century Power Group")  
(continued)**Consideration transferred**

The fair value of the total consideration transferred on acquisition-date was RMB2,120,369,000, which was satisfied fully by cash.

**Identifiable assets acquired and liabilities assumed**

	Note	RMB'000
Trade debtors and other receivables		395,203
Inventories		89,941
Other investments		3,792
Interests in associates		280,869
Property, plant and equipment and construction in progress		2,331,784
Lease prepayments		352,333
Intangible assets	21	1,614
Deferred tax assets	34(b)	19,366
Cash and cash equivalents		128,692
Bank loans		(765,600)
Trade creditors and other payables		(292,492)
Deferred tax liabilities	34(b)	(409,058)
Deferred government grants		(24,237)
		<hr/>
Total identifiable net assets		2,112,207

The trade and other receivables comprise gross contractual amounts due of RMB426,863,000, of which RMB31,660,000 was expected to be uncollectible at the acquisition date.

**Goodwill**

Goodwill was recognised as a result of the acquisition as follows:

	RMB'000
Total consideration transferred	2,120,369
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	334,328
Fair value of identifiable net assets	(2,112,207)
	<hr/>
Goodwill	342,490

The goodwill is attributable mainly to the skills and technical talent of Century Power Group's work force and management, and the synergies expected to be achieved from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

**Acquisition-related costs**

The Group incurred acquisition-related costs of RMB2,050,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

## (b) Acquisition of Pingshi Power Company

On 21 May 2010, the Company obtained control of Pingshi Power Company, a company which is principally engaged in the generation and sale of electricity in Guangdong Province in the PRC, by acquiring 100% of the equity and voting interests in Pingshi Power Company.

The acquisition of Pingshi Power Company is expected to enhance the Group's overall profitability and improve the operating result of the Group in Guangdong area and may contribute better return to the shareholders of the Company.

In the period from 21 May 2010 to 31 December 2010 Pingshi Power Company contributed turnover of RMB773,109,000 and profit of RMB35,835,000 to the Group's results. If the acquisition had occurred on 1 January 2010, management estimates that consolidated turnover for the year of the Group would have been RMB45,594,526,000 and consolidated loss for the year of the Group would have been RMB15,078,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2010.

**Consideration transferred**

The fair value of the total consideration transferred on the acquisition-date was RMB584,706,000, which was satisfied fully by cash.



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### 39 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

#### (b) Acquisition of Pingshi Power Company (continued)

##### Identifiable assets acquired and liabilities assumed

	Note	RMB'000
Trade debtors and other receivables		187,658
Inventories		37,823
Other investments		2,921
Property, plant and equipment and construction in progress		3,963,662
Lease prepayments		178,770
Cash and cash equivalents		34,446
Bank loans		(2,466,000)
Trade creditors and other payables		(430,672)
Long-term payables		(923,902)
Deferred tax liabilities	34(b)	(340,376)
Total identifiable net assets		<u>244,330</u>

The trade and other receivables comprise gross contractual amounts due of RMB317,119,000, of which RMB129,461,000 was expected to be uncollectible at the acquisition date.

The cash consideration and fair values of property, plant and equipment and construction in progress, trade creditors and other payables and deferred tax liabilities have been determined provisionally and shall be adjusted according to the audited results as at the acquisition date and the principles negotiated and agreed by the Company and the vendor.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or additional assets or liabilities existed at the acquisition date, then the acquisition accounting will be revised.

##### Goodwill

Goodwill was recognised as a result of the acquisition as follows:

	RMB'000
Total consideration transferred	584,706
Fair value of identifiable net assets	<u>(244,330)</u>
Goodwill	<u>340,376</u>

The goodwill is attributable mainly to the skills and technical talent of Pingshi Power Company's work force and management, and the synergies expected to be achieved from the acquisition. None of the goodwill recognised is expected to be deductible for income tax purposes.

##### Acquisition-related costs

The Group incurred acquisition-related costs of RMB950,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

#### (c) Acquisition of entities from Shijiazhuang Energy Investment Development Center ("Shijiazhuang Energy Entities")

On 25 December 2010, the Company entered into an equity transfer agreement and a debt transfer agreement with Shijiazhuang Energy Investment Development Center ("Energy Investment Center"), pursuant to which, the Company will acquire the equity interests in Shijiazhuang Energy Entities held by Energy Investment Center at nil consideration, and Energy Investment Center will transfer its certain interests in debts due from Shijiazhuang Energy Entities to the Company. Upon the completion of the acquisition on 31 December 2010, the Company obtained controls of Shijiazhuang Energy Entities by acquiring the equity and voting interests in Shijiazhuang Energy Entities.

Details of the acquirees are as follows:

Name of the acquiree	Direct interest acquired by the Company	Indirect interest held among Shijiazhuang Energy Entities	Principal activities
	%	%	
Shijiazhuang Heat Company (Note (i))	49	—	Generation and sale of heat
Yuhua Heat Company (Note (ii))	49	51	Generation and sale of heat
Xijiao Heat Company (Note (iii))	48.80	2.40	Generation and sale of heat
Yuxi Heat Company	100	—	Generation and sale of heat
Beicheng Heat Company (Note (iii))	77	23	Generation and sale of heat
Shiguang Heat Company (Note (iii))	51	8	Generation and sale of heat
Luhua Heat Company (Note (iii))	—	100	Development of heat company

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

## 39 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

## (c) Acquisition of entities from Shijiazhuang Energy Investment Development Center ("Shijiazhuang Energy Entities") (continued)

Notes:

- (i) The Company already had 49% indirect equity interest in Shijiazhuang Heat Company immediate before the acquisition.
- (ii) The indirect equity interests of these entities were held by Shijiazhuang Heat Company.
- (iii) The entire equity interests of this company were held by Shijiazhuang Heat Company, Xijiao Heat Company, Yuxi Heat Company and Beicheng Heat Company.

The Company owns three heat power companies and is a major heat supplier in Shijiazhuang. The acquisition will further consolidate and boost the Company's market share in the Shijiazhuang heat-supply market and facilitate the integration of the heat business of the Company, which promote the unified deployment and management of the existing three heat power companies and such heat companies, thus achieving synergy and economies of scale. In addition, the acquisition will be conducive to the full utilization of the Company's cutting-edges in the operation and management of heat companies, and further enhance the safe and economical operation of Shijiazhuang Energy Entities, which will contribute to the stability and development of Shijiazhuang heat-supply market.

If the acquisition had occurred on 1 January 2010, management estimates that consolidated turnover for the year of the Group would have been RMB46,354,499,000 and consolidated loss for the year of the Group would have been RMB178,949,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2010.

**Consideration transferred**

The fair value of the total consideration transferred on the acquisition-date was RMB Nil.

**Identifiable assets acquired and liabilities assumed**

	Note	RMB'000
Trade debtors and other receivables		294,557
Inventories		22,105
Other investments		466
Property, plant and equipment and construction in progress		2,082,355
Lease prepayments		12,820
Intangible assets	21	1,309
Other non-current assets		68,393
Deferred tax assets	34(b)	25,484
Cash and cash equivalents		312,276
Bank loans		(767,279)
Trade creditors and other payables		(882,357)
Tax payable		(21,874)
Long-term payables		(524,865)
Deferred income		(274,871)
Deferred tax liabilities	34(b)	(90,875)
Total identifiable net assets		<u>257,644</u>

The trade and other receivables comprise gross contractual amounts due of RMB296,902,000, of which RMB2,345,000 was expected to be uncollectible at the acquisition date.

**Gain from bargain purchase**

A gain was recognised in other revenue and net income (Note 8) in the Group's consolidated statement of comprehensive income as a result of the acquisition as follows:

	RMB'000
Total consideration transferred	—
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquirees	(37)
Fair value of existing interest in Shijiazhuang Heat Company	137,607
Fair value of debt assigned	(501,122)
Fair value of identifiable net assets	(257,644)
	<u>(621,196)</u>

The remeasurement to fair value of the Group's existing 49% interest in Shijiazhuang Heat Company resulted in a gain of RMB59,029,000 (RMB137,607,000 less RMB78,578,000 carrying value of equity-accounted investee at acquisition date), which has been recognised in investment income (Note 7) in the consolidated statement of comprehensive income.

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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### 39 ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

#### (c) Acquisition of entities from Shijiazhuang Energy Investment Development Center ("Shijiazhuang Energy Entities") (continued)

Energy Investment Centre belongs to the Shijiazhuang Municipal Development and Reform Commission, and is mainly responsible for raising and management of energy construction and development funds as well as the construction and development of other related projects. It also organizes and participates in the construction, renovation and operation of thermal power and other energy projects. Energy Investment Centre is an independent third party and is not a connected person of the Company.

In order to segregate responsibilities of supervision and operation of heat supply entities, Energy Investment Center intended to dispose its interests in Shijiazhuang Energy Entities and listed the equity interests on the Hebei Equity Exchange for public bidding with a base price of RMB Nil. As part of the disposal, Energy Investment Center also intended to transfer its certain interests in debts due from Shijiazhuang Energy Entities to the acquirer without consideration.

The Company tendered a bid for the equity interests of Shijiazhuang Energy Entities in the Hebei Equity Exchange. As the Company was the only bidder after the tender period, the transaction shall be completed through agreement reached between the Company and Energy Investment Center in accordance with the relevant rules of the Hebei Equity Exchange. Pursuant to the equity transfer agreement, the equity interests of Shijiazhuang Energy Entities were transferred to the Company at the base price of RMB Nil. In conjunction with the equity transfer, Energy Investment Center also agreed to transfer its certain interests in debts due from Shijiazhuang Energy Entities to the Company without consideration.

#### Acquisition-related costs

The Group incurred acquisition-related costs of RMB4,500,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

#### (d) Acquisition of non-controlling interests

On 12 May 2010 the Company acquired an additional 15% interest in Zagunao Company for RMB45,854,000 in cash, increasing its ownership from 49% to 64%. The carrying amount of Zagunao Company's net assets in the Group's financial statements on the date of acquisition was RMB243,353,000. The Group recognised a decrease in non-controlling interests of RMB36,503,000 and a decrease in retained earnings of RMB9,351,000.

The following summarises the effect of changes in the Company's ownership interest in Zagunao Company:

	RMB'000
Company's ownership interest at the beginning of the year	441,929
Effect of increase in Company's ownership interest	36,503
Share of contribution from holding company	145
Share of comprehensive income	(994)
	<hr/>
Company's ownership interest at the end of the year	477,583

### 40 COMMITMENTS

#### (a) Capital commitments

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

	The Group		The Company	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for				
— Development of power plants	12,977,153	11,277,920	184,293	2,891,342
— Investments	615,000	2,565,499	1,941,137	3,835,739
— Improvement projects and others	192,283	76,262	45,145	34,721
	<hr/>	<hr/>	<hr/>	<hr/>
	13,784,436	13,919,681	2,170,575	6,761,802
	<hr/>	<hr/>	<hr/>	<hr/>
Authorised but not contracted for				
— Development of power plants	14,096,313	16,323,756	—	2,589,096
— Improvement projects and others	640,948	497,642	184,121	247,209
	<hr/>	<hr/>	<hr/>	<hr/>
	14,737,261	16,821,398	184,121	2,836,305
	<hr/>	<hr/>	<hr/>	<hr/>
	28,521,697	30,741,079	2,354,696	9,598,107

At 31 December 2010, the Group did not have any proportionate share of the jointly controlled entity's capital expenditure commitments (2009: RMB Nil).

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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### 40 COMMITMENTS (CONTINUED)

#### (b) Operating lease commitments

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

	The Group and the Company	
	2010	2009
	RMB'000	RMB'000
Within 1 year	79,937	78,525
After 1 year but within 5 years	130,331	175,571
After 5 years	333,434	362,014
	<b>543,702</b>	<b>616,110</b>

### 41 CONTINGENT LIABILITIES

At 31 December 2010, apart from guarantees provided by the Group as disclosed in note 37(a), the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB1,495,200,000 (2009: RMB1,007,200,000). Xijiao Heat Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Shijiazhuang Guangming Zhengda Daily-used Chemical Products Co. Ltd. amounting to RMB23,000,000 (2009: RMB Nil).

### 42 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

#### (a) Interest rate risk

The interest rates and terms of repayment of the outstanding interest-bearing liabilities of the Group and the Company are disclosed in note 31. At 31 December 2010, fixed rate borrowings comprise 33% and 70% of total borrowings of the Group and the Company respectively (2009: 25% and 48%).

#### Sensitivity analysis

At 31 December 2010, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would decrease the Group's profit after tax and total equity by approximately RMB488,163,000 (2009: RMB405,386,000).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax (and retained profits) and consolidated equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax (and retained profits) and consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2009.

#### (b) Credit risk

The Group's credit risk is primarily attributable to trade debtors and bills receivable. Management has a credit policy in place and the exposures; to these credit risks are monitored on an ongoing basis.

In respect of trade debtors and bills receivable, individual credit evaluations are performed regularly on all customers granted with credit period. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer. Trade debtors are due within 30 to 90 days from the date of billing. For bills received from customers, the Group generally accepts only bank acceptance bills in order to minimise the risk of default payment. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 41.07% and 77.65% (2009: 38.64% and 84.75%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively.

The maximum exposure to credit risk without is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Group as set out in note 41, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 41. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable are set out in note 28.

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

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

#### (c) Liquidity risk

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

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

#### The Group

	2010						2009					
	Contractual undiscounted cash outflow					Balance sheet carrying amount	Contractual undiscounted cash outflow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Short-term debentures	3,100,350	—	—	—	3,100,350	3,008,983	3,076,821	—	—	—	3,076,821	3,002,923
Bank loans	26,252,845	9,169,035	18,608,345	31,103,481	85,133,706	67,182,437	18,723,498	7,074,510	15,257,469	24,987,499	66,042,976	53,020,520
Loans from shareholders	2,113,928	55,300	1,448,498	123,024	3,740,750	3,371,375	1,851,652	837,930	828,733	690,728	4,209,043	3,723,871
State loans	16,712	20,108	39,896	100,075	176,791	117,100	14,104	14,654	13,429	13,115	55,302	50,108
Other loans	6,675,938	1,929,074	2,403,101	919,287	11,927,400	11,053,817	3,444,326	1,699,588	1,951,510	597,922	7,693,346	7,002,126
Trade creditors and bills payable	7,739,963	—	—	—	7,739,963	7,739,963	5,078,569	—	—	—	5,078,569	5,078,569
Amount due to holding company	80,963	—	—	—	80,963	79,165	75,190	—	—	—	75,190	75,190
Other payables	3,427,719	—	—	—	3,427,719	3,427,719	2,362,714	—	—	—	2,362,714	2,352,676
Medium-term notes	200,172	1,700,474	4,289,913	—	6,190,559	5,346,441	110,100	110,100	3,229,202	—	3,449,402	2,971,022
Long-term payables	—	456,380	778,330	—	1,234,710	1,234,710	—	426,626	—	—	426,626	426,626
	<b>49,608,590</b>	<b>13,330,371</b>	<b>27,568,083</b>	<b>32,245,867</b>	<b>122,752,911</b>	<b>102,561,710</b>	<b>34,736,974</b>	<b>10,163,408</b>	<b>21,280,343</b>	<b>26,289,264</b>	<b>92,469,989</b>	<b>77,703,631</b>

#### The Company

	2010						2009					
	Contractual undiscounted cash outflow					Balance sheet carrying amount	Contractual undiscounted cash outflow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total		Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Short-term debentures	3,100,350	—	—	—	3,100,350	3,008,983	3,076,821	—	—	—	3,076,821	3,002,923
Bank loans	8,966,117	446,481	760,224	—	10,172,822	9,898,759	4,452,124	1,108,014	100,257	—	5,660,395	5,509,603
Loans from shareholders	2,058,628	—	140,121	—	2,198,749	2,115,920	1,079,839	782,492	47,480	—	1,909,811	1,798,099
State loans	12,872	7,352	3,561	5,740	29,525	27,759	12,954	13,510	10,033	6,654	43,151	40,308
Other loans	2,674,494	1,262,022	219,294	—	4,155,810	3,900,000	921,641	250,471	953,520	—	2,125,632	1,950,000
Trade creditors and bills payable	1,051,349	—	—	—	1,051,349	1,051,349	1,072,005	—	—	—	1,072,005	1,072,005
Amount due to holding company	80,763	—	—	—	80,763	78,965	70,090	—	—	—	70,090	70,090
Amount due to subsidiaries	49,072	—	—	—	49,072	49,072	154,958	—	—	—	154,958	154,958
Other payables	505,572	—	—	—	505,572	505,572	509,886	—	—	—	509,886	499,848
Medium-term notes	200,172	1,700,474	4,289,913	—	6,190,559	5,346,441	110,100	110,100	3,229,202	—	3,449,402	2,971,022
	<b>18,699,389</b>	<b>3,416,329</b>	<b>5,413,113</b>	<b>5,740</b>	<b>27,534,571</b>	<b>25,982,820</b>	<b>11,460,418</b>	<b>2,264,587</b>	<b>4,340,492</b>	<b>6,654</b>	<b>18,072,151</b>	<b>17,068,856</b>

## Notes to the Financial Statements (Continued)

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

#### (d) Currency risk

##### (i) Recognised assets and liabilities

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

##### (ii) Exposure to currency risk

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

##### The Group

	2010		2009	
	United States Dollars	Euro	United States Dollars	Euro
	RMB'000	RMB'000	RMB'000	RMB'000
Trade creditors and bills payable	(4,667)	—	(5,697)	—
Bank loans	(1,347,581)	(132,568)	(1,168,538)	(160,767)
State loans	(17,578)	(80,431)	(29,108)	—
Other loans	—	—	(7,887)	—
Net exposure arising from recognised liabilities	<b>(1,369,826)</b>	<b>(212,999)</b>	<b>(1,211,230)</b>	<b>(160,767)</b>

##### The Company

	2010		2009	
	United States Dollars	Euro	United States Dollars	Euro
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans	(1,311,389)	—	(1,127,603)	—
State loans	(17,578)	—	(29,108)	—
Net exposure arising from recognised liabilities	<b>(1,328,967)</b>	<b>—</b>	<b>(1,156,711)</b>	<b>—</b>

##### (iii) Sensitivity analysis

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

##### The Group

	2010			2009		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on consolidated equity	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits	Effect on consolidated equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
United States Dollars	(10%)	102,737	102,737	(10%)	90,842	90,842
Euro	(10%)	15,975	15,975	(10%)	12,058	12,058

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

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2009.

## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
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### 42 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

#### (e) Fair values

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

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

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

2010

	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Assets</b>								
Available-for-sale equity securities:								
— Listed	42,906	—	—	42,906	—	—	—	—

2009

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

During the years ended 31 December 2010 and 2009, there were no significant transfers between instruments in Level 1 and Level 2.

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

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2010 and 2009.

#### (f) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

##### (i) Securities

Fair values of equity securities are estimated based on quoted market prices at the balance sheet date without any deduction for transaction costs.

For investments in unlisted equity interests which have no quoted market prices for such interests in the PRC, a reasonable estimate of fair value could not be made without incurring excessive costs.

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

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

## Notes to the Financial Statements (Continued)

*(Prepared under International Financial Reporting Standards)  
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### 42 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

#### (f) Estimation of fair values (continued)

##### (iii) 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 lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

##### (iv) Other financial instruments

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

### 43 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

If circumstances indicate that the net book value of a non-current asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with IAS 36, Impairment of assets. The carrying amounts of non-current assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the net selling price and the value in use. It is difficult to precisely estimate selling price because quoted market prices for the Group's assets are not readily available.

In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sale volume, tariff and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sale volume, tariff and amount of operating costs.

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

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

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

#### (c) Deferred tax assets

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

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

Note 21 contains information relating to the indefinite life of the acquired land use rights which were assigned by the PRC's land bureau with indefinite land use period. Where the expectation is different from the original assumptions, such difference will impact carrying value of the intangible assets and amortisation and impairment loss on intangible assets charged to profit or loss in the period in which such assumptions have been changed.



## Notes to the Financial Statements (Continued)

(Prepared under International Financial Reporting Standards)  
(Expressed in Renminbi unless otherwise indicated)

### 44 SERVICE CONCESSION ARRANGEMENT

The Group entered into two service concession agreements with local governments (the "Grantors") to construct and operate wind power plants during the concession period, which is normally for 25 years of operation. The Group is responsible for construction and maintenance of the wind power plants during the concession period. At the end of the concession period, the Group needs to dispose of the wind power plants at nil consideration. Service concession construction revenue (Note 8) recorded during the years represents the revenue recognised during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-contracted.

The Group has recognised intangible assets (Note 21) related to the service concession arrangement representing the right the Group receives to charge a fee for sales of electricity. The Group has not recognised service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plants.

The Group recognises the intangible assets at the fair value of the concession construction service and amortises the intangible assets over the operating period of the service concession projects.

### 45 COMPARATIVE FIGURES

As a result of the application of amendments to IAS 27, certain comparative figures have been adjusted to conform to current year's presentation. Further details of this development are disclosed in note 3.

### 46 PARENT AND ULTIMATE HOLDING COMPANY

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

### 47 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendment to IAS 32, <i>Financial instruments: Presentation — Classification of rights issues</i>	1 February 2010
IFRIC 19, <i>Extinguishing financial liabilities with equity instruments</i>	1 July 2010
Amendment to IFRS 1, <i>First-time adoption of International Financial Reporting Standards — Limited exemption from comparative IFRS 7 disclosures for first-time adopters</i>	1 July 2010
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
Revised IAS 24, <i>Related party disclosures</i>	1 January 2011
Amendments to IFRIC 14, <i>IAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction — Prepayments of a minimum funding requirement</i>	1 January 2011
Amendments to IFRS 1, <i>First-time adoption of International Financial Reporting Standards—Severe hyperinflation and removal of fixed dates for just-time adopters</i>	1 July 2011
Amendments to IFRS 7, <i>Financial instruments: Disclosures—Transfers of financial assets</i>	1 July 2011
Amendments to IAS 12, <i>Income taxes—Deferred tax recovery of underlying assets</i>	1 January 2012
IFRS 9, <i>Financial instruments</i>	1 January 2013

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

# Five Years Financial Summary

(Expressed in Renminbi)

	2006	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Turnover	14,699,964	20,341,122	29,997,264	36,449,643	<b>45,197,500</b>
Profit/(loss) before taxation	1,879,412	1,789,567	(3,189,801)	1,683,272	<b>202,421</b>
Income tax (expense)/credit	(520,469)	(269,102)	130,679	(101,273)	<b>(116,536)</b>
Profit/(loss) for the year	1,358,943	1,520,465	(3,059,122)	1,581,999	<b>85,885</b>
Attributable to:					
Equity shareholders of the Company	1,201,201	1,196,860	(2,560,103)	1,157,173	<b>169,897</b>
Non-controlling interests	157,742	323,605	(499,019)	424,826	<b>(84,012)</b>
Profit/(loss) for the year	1,358,943	1,520,465	(3,059,122)	1,581,999	<b>85,885</b>
Total non-current assets	50,379,076	61,563,473	78,861,310	93,681,806	<b>118,956,666</b>
Total current assets	3,660,271	4,389,947	6,556,117	7,558,092	<b>9,604,733</b>
Total assets	54,039,347	65,953,420	85,417,427	101,239,898	<b>128,561,399</b>
Total current liabilities	(18,622,129)	(24,221,200)	(27,751,825)	(32,215,639)	<b>(46,660,227)</b>
Total non-current liabilities	(19,569,315)	(23,589,538)	(41,728,822)	(47,719,101)	<b>(60,038,351)</b>
Net assets	15,847,903	18,142,682	15,936,780	21,305,158	<b>21,862,821</b>
Total equity attributable to equity shareholders of the Company	13,476,266	14,299,819	11,426,315	16,086,182	<b>16,175,971</b>
Non-controlling interests	2,371,637	3,842,863	4,510,465	5,218,976	<b>5,686,850</b>
Total equity	15,847,903	18,142,682	15,936,780	21,305,158	<b>21,862,821</b>

# Report of The PRC Auditors

## All Shareholders of Huadian Power International Corporation Limited:

We have audited the accompanying financial statements of Huadian Power International Corporation Limited (the Company), which comprise the consolidated balance sheet and balance sheet as at 31 December 2010, the consolidated income statement and income statement, the consolidated statement of changes in equity and statement of changes in equity, the consolidated cash flow statement and cash flow statement for the year then ended, and notes to the financial statements.

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

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

## 2. AUDITORS' RESPONSIBILITY

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

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

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

## 3. OPINION

In our opinion, the financial statements comply with the requirements of China Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2010, and the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company for the year then ended.

KPMG Huazhen

Beijing, the People's Republic of China

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

Zou Jun

Huang Jia

30 March 2011

# Consolidated Balance Sheet

As at 31 December 2010

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2010	2009
<b>Current assets</b>			
Cash at bank and on hand	V. 1	1,266,436	1,243,806
Bills receivable	V. 2	118,623	324,616
Trade receivables	V. 3	3,862,051	3,258,610
Prepayments	V. 5	859,688	482,153
Other receivables	V. 4	600,709	241,991
Inventories	V. 6	1,760,239	1,346,169
Other current assets	V. 7	1,136,987	660,747
<b>Total current assets</b>		<b>9,604,733</b>	<b>7,558,092</b>
<b>Non-current assets</b>			
Available-for-sale financial assets	V. 8	42,906	58,288
Long-term receivables	V. 9	68,393	—
Long-term equity investments	V. 10	9,512,944	4,739,637
Fixed assets	V. 11	74,557,721	63,763,462
Construction in progress	V. 12	14,609,301	12,570,492
Construction materials	V. 13	879,631	22,000
Construction and construction material prepayments		7,657,751	6,723,503
Intangible assets	V. 14	9,543,341	2,926,488
Goodwill	V. 15	790,552	107,686
Deferred tax assets	V. 16	322,269	285,257
Other non-current assets	V. 17	270,810	1,722,896
<b>Total non-current assets</b>		<b>118,255,619</b>	<b>92,919,709</b>
<b>Total assets</b>		<b>127,860,352</b>	<b>100,477,801</b>
<b>Current liabilities</b>			
Short-term loans	V. 20	24,299,330	16,793,380
Bills payable	V. 21	2,208,011	1,357,201
Trade payables	V. 22	5,531,952	3,721,368
Advances from customers	V. 23	569,327	82,077
Wages payable	V. 24	130,193	219,284
Taxes payable	V. 25	270,335	266,928
Interests payable	V. 26	293,739	225,166
Dividends payable		7,664	—
Other payables	V. 27	2,931,861	1,983,416
Short-term debenture payables	V. 28	3,008,983	3,002,923
Non-current liabilities due within one year	V. 29	7,408,832	4,563,896
<b>Total current liabilities</b>		<b>46,660,227</b>	<b>32,215,639</b>
<b>Non-current liabilities</b>			
Long-term loans	V. 30	50,159,994	42,439,349
Debentures payable	V. 31	5,346,441	2,971,022
Long-term payables	V. 32	1,234,710	426,626
Special payables		8,020	29,220
Deferred tax liabilities	V. 16	1,960,728	1,145,797
Other non-current liabilities		903,034	405,048
<b>Total non-current liabilities</b>		<b>59,612,927</b>	<b>47,417,062</b>
<b>Total liabilities</b>		<b>106,273,154</b>	<b>79,632,701</b>
<b>Shareholders' equity</b>			
Share capital	V. 33	6,771,084	6,771,084
Capital reserve	V. 34	4,512,428	4,258,129
Surplus reserve	V. 35	1,533,554	1,486,013
Retained profits	V. 36	3,109,795	3,186,480
Total equity attributable to equity shareholders of the Company		15,926,861	15,701,706
Minority interests		5,660,337	5,143,394
<b>Total shareholders' equity</b>		<b>21,587,198</b>	<b>20,845,100</b>
<b>Total liabilities and shareholders' equity</b>		<b>127,860,352</b>	<b>100,477,801</b>

These financial statements have been approved by the Board of Directors on 30 March 2011.

**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 98 to 158 form part of these financial statements.

# Balance Sheet

As at 31 December 2010

(Prepared under China Accounting Standards for Business Enterprises)  
(Expressed in Renminbi'000)

Item	Note	2010	2009
<b>Current assets</b>			
Cash at bank and on hand		156,819	193,186
Bills receivable		2,310	1,581
Trade receivables	XI. 1	667,595	550,287
Prepayments		8,209	86,213
Other receivables	XI. 2	2,651,036	627,402
Inventories		336,178	288,298
Other current assets		38,019	43,265
<b>Total current assets</b>		<b>3,860,166</b>	<b>1,790,232</b>
<b>Non-current assets</b>			
Long-term receivables	XI. 3	501,122	—
Long-term equity investments	XI. 4	27,618,062	19,284,079
Fixed assets		8,519,729	9,018,696
Construction in progress		564,389	767,835
Construction and construction material prepayments		97,842	808,165
Intangible assets		144,122	158,710
Goodwill		12,111	12,111
Other non-current assets		270,810	439,043
<b>Total non-current assets</b>		<b>37,728,187</b>	<b>30,488,639</b>
<b>Total assets</b>		<b>41,588,353</b>	<b>32,278,871</b>
<b>Current liabilities</b>			
Short-term loans		11,446,120	5,381,093
Bills payable		857,129	884,014
Trade payables		194,220	187,991
Advances from customers		11,881	11,162
Wages payable		9,727	36,910
Taxes payable		22,956	58,347
Interests payable		143,327	102,045
Other payables		480,555	585,941
Short-term debenture payables		3,008,983	3,002,923
Long-term loans due within one year		1,824,780	817,002
<b>Total current liabilities</b>		<b>17,999,678</b>	<b>11,067,428</b>
<b>Non-current liabilities</b>			
Long-term loans		2,671,538	3,099,915
Debentures payable		5,346,441	2,971,022
Special payables		6,500	6,500
Deferred tax liabilities		47,250	40,000
Other non-current liabilities		19,091	19,998
<b>Total non-current liabilities</b>		<b>8,090,820</b>	<b>6,137,435</b>
<b>Total liabilities</b>		<b>26,090,498</b>	<b>17,204,863</b>
<b>Shareholders' equity</b>			
Share capital		6,771,084	6,771,084
Capital reserve		4,393,875	4,208,451
Surplus reserve		1,533,554	1,486,013
Retained profits		2,799,342	2,608,460
<b>Total shareholders' equity</b>		<b>15,497,855</b>	<b>15,074,008</b>
<b>Total liabilities and shareholders' equity</b>		<b>41,588,353</b>	<b>32,278,871</b>

These financial statements have been approved by the Board of Directors on 30 March 2011.

**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 98 to 158 form part of these financial statements.

# Consolidated Income Statement

31 December 2010

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2010	2009
<b>Operating income</b>	V. 37	<b>45,448,778</b>	36,661,820
<b>Less: Operating costs</b>	V. 37	<b>42,121,006</b>	30,895,331
Sales taxes and surcharges	V. 38	186,436	247,718
Administrative expenses	V. 39	1,324,430	1,167,866
Finance expenses	V. 40	3,288,889	2,948,463
Impairment (reversal)/losses	V. 42	(14,539)	1,622
Add: Investment income	V. 41	846,211	241,832
Including: income from associates and jointly controlled entity		328,230	216,844
<b>Operating (loss)/profit</b>		<b>(611,233)</b>	1,642,652
Add: Non-operating income	V. 43	853,390	76,607
Less: Non-operating expenses	V. 44	9,428	18,350
Including: losses on disposal of non-current assets		2,549	7,437
<b>Total profit</b>		<b>232,729</b>	1,700,909
Less: Income tax	V. 45	126,517	107,996
<b>Net profit</b>		<b>106,212</b>	1,592,913
Attributable to:			
Equity shareholders of the Company		207,844	1,150,580
Minority interests		(101,632)	442,333
<b>Earnings per share (RMB):</b>			
Basic earnings per share	V. 46	<b>0.031</b>	0.189
Diluted earnings per share	V. 46	<b>0.031</b>	0.189
<b>Add: Other comprehensive income</b>	V. 47	<b>(16,725)</b>	40,351
<b>Total comprehensive income</b>		<b>89,487</b>	1,633,264
Attributable to:			
Equity shareholders of the Company		191,196	1,189,656
Minority interests		(101,709)	443,608

These financial statements have been approved by the Board of Directors on 30 March 2011.

**Yun Gongmin**  
Legal representative

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

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

# Income statement

31 December 2010

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2010	2009
<b>Operating income</b>	XI. 5	<b>8,506,103</b>	7,626,718
<b>Less: Operating costs</b>	XI. 5	<b>8,158,323</b>	6,681,438
Sales taxes and surcharges		45,890	56,205
Administrative expenses		405,940	412,496
Finance expenses		810,271	585,882
Impairment (reversal)/losses		(1,780)	1,343
Add: Investment income	XI. 6	840,117	251,614
Including: income from associates and jointly controlled entity		254,766	63,910
<b>Operating (loss)/profit</b>		<b>(72,424)</b>	140,968
Add: Non-operating income		556,181	2,320
Less: Non-operating expenses		1,096	10,256
Including: losses on disposal of non-current assets		493	5,527
<b>Total profit</b>		<b>482,661</b>	133,032
Less: Income tax		7,250	(1,007)
<b>Net profit</b>		<b>475,411</b>	134,039
<b>Add: Other comprehensive income</b>		<b>891</b>	15,255
<b>Total comprehensive income</b>		<b>476,302</b>	149,294

These financial statements have been approved by the Board of Directors on 30 March 2011.

**Yun Gongmin**  
Legal representative

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

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

# Consolidated Cash Flow Statement

31 December 2010

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2010	2009
<b>I. Cash flow from operating activities:</b>			
Cash received from sale of goods and rendering of services		52,884,840	41,077,952
Refund of taxes		21,701	20,590
Other cash received relating to operating activities	V. 48(1)	362,272	265,230
Sub-total of cash inflow from operating activities		53,268,813	41,363,772
Cash paid for goods and services		(41,809,010)	(29,223,632)
Cash paid to and for employees		(2,136,398)	(1,815,563)
Cash paid for all types of taxes		(2,238,475)	(2,809,799)
Other cash paid relating to operating activities	V. 48(2)	(1,026,208)	(846,927)
Sub-total of cash outflow from operating activities		(47,210,091)	(34,695,921)
<b>Net cash inflow from operating activities</b>	V. 49(1)	<b>6,058,722</b>	<b>6,667,851</b>
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		745,017	—
Cash received from return on investments		142,304	144,423
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		87,202	8,877
Other cash received relating to investing activities	V. 48(3)	26,983	27,535
Sub-total of cash inflow from investing activities		1,001,506	180,835
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(13,468,672)	(12,395,853)
Cash paid for acquisition of investments		(4,365,496)	(2,466,049)
Cash paid for acquisition of subsidiaries	V. 49(2)	(2,200,825)	(2,604,552)
Other cash paid relating to investing activities	V. 48(4)	(48,967)	(6,703)
Sub-total of cash outflow from investing activities		(20,083,960)	(17,473,157)
<b>Net cash outflow from investing activities</b>		<b>(19,082,454)</b>	<b>(17,292,322)</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investors		284,360	3,500,360
Including: cash received from minority shareholders of subsidiaries		284,360	46,660
Cash received from borrowings		63,952,583	46,863,782
Decrease in guarantee deposits of bank acceptance bills		19,401	7,488
Other cash received relating to financing activities	V. 48(5)	1,158,816	765,640
Sub-total of cash inflow from financing activities		65,415,160	51,137,270
Cash repayments of borrowings		(47,336,765)	(37,128,060)
Cash paid for dividends, profits distribution or interest		(4,291,809)	(3,620,234)
Including: dividends and profits paid to minority shareholders of subsidiaries		(76,404)	(46,300)
Increase in guarantee deposits of bank acceptance bills		(46,473)	(4,603)
Other cash paid relating to financing activities	V. 48(6)	(722,523)	(387,307)
Sub-total of cash outflow from financing activities		(52,397,570)	(41,140,204)
<b>Net cash inflow from financing activities</b>		<b>13,017,590</b>	<b>9,997,066</b>
<b>IV. Net decrease in cash and cash equivalents</b>	V. 49(1)	<b>(6,142)</b>	<b>(627,405)</b>
Add: Cash and cash equivalents at the beginning of the year		1,241,900	1,869,305
<b>V. Cash and cash equivalents at the end of the year</b>		<b>1,235,758</b>	<b>1,241,900</b>

These financial statements have been approved by the Board of Directors on 30 March 2011.

**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 98 to 158 form part of these financial statements.



# Cash Flow Statement

For the Year Ended 31 December 2010

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2010	2009
<b>I. Cash flow from operating activities:</b>			
Cash received from sale of goods and rendering of services		9,756,077	8,244,058
Other cash received relating to operating activities		98,785	91,002
Sub-total of cash inflow from operating activities		9,854,862	8,335,060
Cash paid for goods and services		(8,129,035)	(6,509,020)
Cash paid to and for employees		(571,336)	(541,490)
Cash paid for all types of taxes		(519,222)	(551,777)
Other cash paid relating to operating activities		(565,727)	(521,804)
Sub-total of cash outflow from operating activities		(9,785,320)	(8,124,091)
<b>Net cash inflow from operating activities</b>	XI. 7	<b>69,542</b>	<b>210,969</b>
<b>II. Cash flow from investing activities:</b>			
Cash received from disposal of investments		721,956	250,000
Cash received from return on investments		89,453	146,034
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		86,516	4,269
Other cash received relating to investing activities		654,812	541,047
Sub-total of cash inflow from investing activities		1,552,737	941,350
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(723,470)	(906,329)
Cash paid for acquisitions of investments		(5,314,411)	(6,514,539)
Cash paid for acquisitions of subsidiaries		(2,674,539)	(1,381,458)
Other cash paid relating to investing activities		(1,482,566)	(598,287)
Sub-total of cash outflow from investing activities		(10,194,986)	(9,400,613)
<b>Net cash outflow from investing activities</b>		<b>(8,642,249)</b>	<b>(8,459,263)</b>
<b>III. Cash flow from financing activities:</b>			
Cash received from investors		—	3,453,700
Cash received from borrowings		30,607,647	20,619,574
Other cash received relating to financing activities		5,740	21,179
Sub-total of cash inflow from financing activities		30,613,387	24,094,453
Cash repayments of borrowings		(20,993,418)	(15,735,954)
Cash paid for dividends, profits distribution or interest		(1,040,124)	(621,024)
Other cash paid relating to financing activities		(43,505)	(76,283)
Sub-total of cash outflow from financing activities		(22,077,047)	(16,433,261)
<b>Net cash inflow from financing activities</b>		<b>8,536,340</b>	<b>7,661,192</b>
<b>IV. Net decrease in cash and cash equivalents</b>	XI. 7	<b>(36,367)</b>	<b>(587,102)</b>
Add: Cash and cash equivalents at the beginning of the year		193,186	780,288
<b>V. Cash and cash equivalents at the end of the year</b>		<b>156,819</b>	<b>193,186</b>

These financial statements have been approved by the Board of Directors on 30 March 2011.

**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 98 to 158 form part of these financial statements.

# Consolidated Statement of Changes in Equity

31 December 2010

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	Note	2010					
		Attributable to shareholders' equity of the Company				Minority interests	Total equity
		Share capital	Capital reserve	Surplus reserve	Retained profits		
<b>I. Balance at 31 December 2009</b>		<b>6,771,084</b>	<b>4,258,129</b>	<b>1,486,013</b>	<b>3,169,574</b>	<b>5,160,300</b>	<b>20,845,100</b>
Changes in accounting policy	V. 36	—	—	—	16,906	(16,906)	—
<b>II. Balance at 1 January 2010</b>		<b>6,771,084</b>	<b>4,258,129</b>	<b>1,486,013</b>	<b>3,186,480</b>	<b>5,143,394</b>	<b>20,845,100</b>
<b>III. Changes in equity for the year</b>							
(I) Net profit		—	—	—	207,844	(101,632)	106,212
(II) Other comprehensive income		—	(16,648)	—	—	(77)	(16,725)
Sub-total of (I)&(II)		—	(16,648)	—	207,844	(101,709)	89,487
(III) Acquisition of minority interests		—	(9,351)	—	—	(36,503)	(45,854)
(IV) Capital injection from minority shareholders to subsidiaries		—	—	—	—	322,138	322,138
(V) Acquisition of subsidiaries		—	—	—	—	334,291	334,291
(VI) Profit appropriation	V. 36	—	—	47,541	(47,541)	—	—
1. Appropriation for surplus reserve		—	—	—	—	—	—
2. Distributions to shareholders		—	—	—	(236,988)	(69,470)	(306,458)
(VII) Fair value adjustment of interest free loans granted by China Huadian Corporation		—	24,769	—	—	1,507	26,276
(VIII) Capital contribution by the state	V. 34	—	97,419	—	—	66,689	164,108
(IX) Others	V. 34	—	158,110	—	—	—	158,110
<b>IV. Closing balance of the year</b>		<b>6,771,084</b>	<b>4,512,428</b>	<b>1,533,554</b>	<b>3,109,795</b>	<b>5,660,337</b>	<b>21,587,198</b>

Item	Note	2009					
		Attributable to shareholders' equity of the Company				Minority interests	Total equity
		Share capital	Capital reserve	Surplus reserve	Retained profits		
<b>I. Balance at 31 December 2008</b>		<b>6,021,084</b>	<b>1,503,793</b>	<b>1,472,609</b>	<b>2,020,550</b>	<b>4,444,857</b>	<b>15,462,893</b>
Changes in accounting policy		—	—	—	28,754	(28,754)	—
<b>II. Balance at 1 January 2009</b>		<b>6,021,084</b>	<b>1,503,793</b>	<b>1,472,609</b>	<b>2,049,304</b>	<b>4,416,103</b>	<b>15,462,893</b>
<b>III. Changes in equity for the year</b>							
(I) Net profit		—	—	—	1,150,580	442,333	1,592,913
(II) Other comprehensive income		—	39,076	—	—	1,275	40,351
Sub-total of (I)&(II)		—	39,076	—	1,150,580	443,608	1,633,264
(III) Contribution by shareholders		750,000	2,703,700	—	—	—	3,453,700
(IV) Acquisition/ disposal of minority interests		—	(8,248)	—	—	(204,999)	(213,247)
(V) Capital injection from minority shareholders to subsidiaries		—	—	—	—	133,356	133,356
(VI) Acquisition of subsidiaries		—	—	—	—	424,928	424,928
(VII) Profit appropriation		—	—	13,404	(13,404)	—	—
1. Appropriation for surplus reserve		—	—	—	—	—	—
2. Distributions to shareholders of subsidiaries		—	—	—	—	(89,781)	(89,781)
(VIII) Fair value adjustment of interest free loans granted by China Huadian Corporation		—	18,166	—	—	18,906	37,072
(IX) Capital contribution by the state		—	1,642	—	—	1,273	2,915
<b>IV. Closing balance of the year</b>		<b>6,771,084</b>	<b>4,258,129</b>	<b>1,486,013</b>	<b>3,186,480</b>	<b>5,143,394</b>	<b>20,845,100</b>

These financial statements have been approved by the Board of Directors on 30 March 2011.

**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 98 to 158 form part of these financial statements.

# Statement of Changes in Equity

31 December 2010

(Prepared under China Accounting Standards for Business Enterprises)

(Expressed in Renminbi'000)

Item	2010				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
<b>I. Balance at 31 December 2009/1 January 2010</b>	<b>6,771,084</b>	<b>4,208,451</b>	<b>1,486,013</b>	<b>2,608,460</b>	<b>15,074,008</b>
<b>II. Changes in equity for the year</b>					
(I) Net profit	—	—	—	475,411	475,411
(II) Other comprehensive income	—	891	—	—	891
Sub-total of (I)&(II)	—	891	—	475,411	476,302
(III) Profit appropriation					
1. Appropriation for surplus reserve	—	—	47,541	(47,541)	—
2. Distributions to shareholders of subsidiaries	—	—	—	(236,988)	(236,988)
(IV) Fair value adjustment of interest free loans granted by China Huadian Corporation	—	20,683	—	—	20,683
(V) Capital contribution by the state	—	5,740	—	—	5,740
(VI) Others	—	158,110	—	—	158,110
<b>III. Closing balance of the year</b>	<b>6,771,084</b>	<b>4,393,875</b>	<b>1,533,554</b>	<b>2,799,342</b>	<b>15,497,855</b>

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

These financial statements have been approved by the Board of Directors on 30 March 2011.

**Yun Gongmin**  
Legal representative

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

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

# Notes to the financial statements

(Prepared under China Accounting Standards for Business Enterprises)  
(Express in Renminbi'000)

## I. COMPANY STATUS

Huadian Power International Corporation Limited (hereinafter referred to as the "Company") is a joint stock company limited by shares established in Jinan, Shandong Province, the People's Republic of China (the "PRC") on 28 June 1994 and has its head office at No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC. Its parent and ultimate holding company is China Huadian Corporation ("China Huadian").

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

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

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

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB 1 each. As a result, the registered capital of the Company was increased to RMB 6,021,084,200. The RMB ordinary shares include 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares were listed on the Shanghai Stock Exchange on 3 February 2005. On 11 May 2005, the Company obtained a new business licence for body corporate regarding the new registered capital.

Pursuant to a resolution passed on the general meeting held on 30 June 2008, legal representative of the Company was changed to Yun Gongmin and a renewed business licence for body corporate (370000400001274) was obtained on 7 July 2008.

Pursuant to Guo Zi Chan Quan [2006] No.700 "Notice on Approval of the Share Reform of Huadian Power International Corporation Limited" issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented a share reform (the "Share Reform") on 28 July 2006. All holders of non-circulating shares transferred 3 shares for every 10 shares held by the registered holders of circulating A shares as at the book closing date of the implementation of the Share Reform (28 July 2006) as consideration, totalling 170,700,000 shares. The totalling 3,850,356,200 original domestic shares held by the original domestic shareholders are circulated as at 6 August 2009.

In October 2009, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Xu Ke [2009] No. 1071, to issue 750,000,000 RMB ordinary shares with par value of RMB 1 each. The registered capital of the Company was increased to RMB 6,771,084,200. The Company completed the non-public issue on 1 December 2009. The 150,000,000 shares of shares issued shall not be transferred within 36 months from the date of completion of the non-public issue. On 18 June 2010, the Company obtained a new business licence for body corporate regarding the new registered capital.

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) of PRC 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.

### 4 Functional currency

The Company's functional currency is renminbi. These financial statements are presented in renminbi.

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(Express in Renminbi'000)

### II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 5 Accounting treatments for a business combination involving entities under and those not under common control

##### (1) Business combinations involving enterprises under common control

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

##### (2) Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. Where 1) the aggregate of the fair value at the acquisition date of assets given (including the acquirer's previously held equity interest in the acquiree), and liabilities incurred or assumed, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note II. 17). Where 1) is less than 2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred is recognised in profit or loss. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

In a business combination, the acquiree's deductible temporary differences obtained by the Group are not recognised if the deductible temporary differences do not satisfy the criteria for recognition of deferred tax assets at the acquisition date. The acquirer shall recognise the relevant deferred tax assets and reduces goodwill accordingly if new information about facts that existed at the acquisition date is obtained within 12 months of the acquisition date and the facts prove that the obtained deferred tax benefit is expected to be realised in future periods. If the goodwill is insufficient to be deducted, any remaining deferred tax benefits shall be recognised in profit or loss for the current period. All other acquired deferred tax benefit realised shall be included in profit or loss for the current period.

#### 6 Preparation of consolidated financial statements

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

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises 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 the ultimate controlling party first obtained control. 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 enterprises 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.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

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.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

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.

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(Express in Renminbi'000)

### II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 7 Cash and Cash equivalents

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

#### 8 Translation of foreign currency transactions

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

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

Monetary items denominated in foreign currencies are translated to renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss, except those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction of qualifying assets (see Note II. 15). Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to renminbi using the foreign exchange rate at the transaction date.

#### 9 Financial instruments

Financial instruments include 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 directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition financial assets and liabilities are measured as follows:

— Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

— Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

— Held-to-maturity investments

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

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

— Available-for-sale financial assets

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

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

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

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(Express in Renminbi'000)

### 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 Group (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.

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, financial assets and financial liabilities are offset and the net amount presented in the balance sheet when both of the following conditions are satisfied:

- the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

##### (2) Determination of fair values

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

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

##### (3) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit or loss:

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

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

##### (4) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

Objective evidence that a financial asset or group of assets is impaired include:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- (d) the disappearance of an active market for that financial asset because of financial difficulties;
- (e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the obligor operates, and indicates that the cost of an investment in an equity instrument may not be recovered;
- (f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(Express in Renminbi'000)

### II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9 Financial instruments (continued)

##### (4) Impairment of financial assets (continued)

For the calculation method of impairment of receivables, refer to Note II. 10. The impairment of other financial assets is measured as follows:

###### — Held-to-maturity investments

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

If, after an impairment loss has been recognised on held-to-maturity investments, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

###### — Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

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

##### (5) Equity instrument

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

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

#### 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 factors reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

#### 11 Inventories

##### (1) Classification

Inventories include coal, fuel oil, stalk, materials, components and spare parts.

##### (2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

##### (3) The underlying factors in the determination of net realisable value of inventories and the basis of provision for decline in value of inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase and other costs. Inventories are initially measured at their actual cost.

Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale. The net realisable value of materials held for use in the production of inventories is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales contracts is based on the contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Group, the net realisable value of the excess portion of inventories shall be based on general selling prices.

Any excess of the cost over the net realisable value of each class of inventories is recognised as a provision for diminution in the value of inventories.

##### (4) Inventory system

The Group maintains a perpetual inventory system.

##### (5) Amortisation of low-value consumables

Low-value consumables is amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.



## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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### II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 12 Long-term equity investments

##### (1) 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 enterprises 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.
  - For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and additional investment cost at the acquisition date. Any amounts recognised in other comprehensive income relating to the previously-held equity interest in the acquiree, are reclassified to profit or loss as investment income when the equity investment is disposed of.
  - For other long-term equity investments obtained through business combinations involving enterprises not under common control, the initial investment cost is the aggregate of the fair values of identifiable assets transferred, liabilities assumed, and equity securities issued by the Company, in exchange for control of the acquiree.
- (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.

##### (2) Subsequent measurement

- (a) Investments in subsidiaries
- In the Company's financial statements, investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profits distribution declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses.
- 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.
- 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 amount attributable to the Group.
- The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.
- The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate or the jointly controlled entities is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled entities, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.
- (c) Other long-term equity investments
- Other long-term equity investments refer to investments where the Group does not have control, joint control or significant influence over the investees, and the investments are not quoted in an active market and their fair value cannot be reliably measured.
- Other long-term equity investments are accounted for using the cost method. Cash dividends or profit distributions declared by the investees and attributed to the Company shall be recognised as investment income, except those that have been declared but unpaid at the time of acquisition and therefore included in the price paid or consideration.

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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### II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 12 Long-term equity investments (continued)

##### (3) Basis for determining the existence of joint control or significant influence over an investee

Joint control is the contractual agreed sharing of control over an investee's economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The following evidences shall be considered when determining whether the Group can exercise joint control over an investee:

- no single venturer is in a position to control the operating activities unilaterally;
- operating decisions relating to the investee's economic activity require the unanimous consent of the parties sharing the control;
- if the parties sharing the control appoint one venturer as the operator or manager of the joint venture through the contractual arrangement, the operator must act within the financial and operating policies that have been agreed by the venturers in accordance with the contractual arrangement.

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control over those policies. The following one or more evidences shall be considered when determining whether the Group can exercise significant influence over an investee:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the investor and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

##### (4) Method of impairment testing and measuring

For the method of impairment testing and measuring for subsidiaries, jointly controlled entities and associates, refer to Note II. 18.

For other long-term equity investments, the carrying amount is required to be tested for impairment at the balance sheet date. If there is objective evidence that the investments may be impaired, the impairment shall be assessed on an individual basis. The impairment loss is measured as the amount by which the carrying amount of the investment exceeds the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed. The other long-term equity investments are stated at cost less impairment losses in the balance sheet.

#### 13 Fixed assets

##### (1) Recognition

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

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II. 14. Costs of environmental protection and ecological restoration arising from obligations incurred in compliance with relevant regulations and contracts when fixed assets are disposed of are included in the initial cost of fixed assets.

Where parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern 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, residual value rate and depreciation rate 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.

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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### II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 13 Fixed assets (continued)

(3) For the method of impairment testing and measuring, refer to Note II. 18.

#### (4) Disposal

The carrying amount of a fixed asset shall be derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

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

#### 14 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note II. 15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less impairment losses (see Note II. 18).

Construction in progress mainly includes construction of generators, plants and buildings, environmental and technical improvement projects.

#### 15 Borrowing costs

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

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

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

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally and the interruption lasts for more than 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 over its estimated useful life, except mining rights are amortised using units-of-production method according to the proved coal reserves. The amortisation periods of each class of intangible assets are as follows:

Classes	Amortisation period (years)
Land use rights	10-70
Concession assets	25
Others	5 - 10

Concession assets are intangible assets recognized by the Group according to concession agreements to operate wind power plants, which was signed with each grantor. Concession assets are measured at actual cost incurred. Actual cost includes payment in the process of construction of a concession asset, which considering the contract agreement, and capitalised borrowing costs incurred before the asset become ready for its intended use. Concession assets are amortised over the residual concession period from the date when the assets are ready for its intended use.

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
(Express in Renminbi'000)

### 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

The initial cost of 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 enterprises not under common control.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note II. 18). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

#### 18 Impairment of assets other than inventories, financial assets and other long-term investments

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

- fixed assets
- construction in progress
- construction materials
- construction and construction material prepayments
- intangible assets
- long-term equity investments in subsidiaries, associates and jointly controlled entities
- goodwill
- other non-current assets (including prepayments for investment)

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill and intangible assets with indefinite useful lives at no later than each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the result of the recoverable amount calculation indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

#### 19 Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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### II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 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.

##### (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.

##### (5) Certified Emission Reductions ("CERs") income

The Group registered wind power projects generated from the wind farm as Clean Development Mechanism ("CDM") projects with CDM Executive Board ("CDM EB") of the United Nations under the Kyoto Protocol. The Group sells verified carbon credits generated from wind power. Revenue in relation to the CERs is recognised when following conditions are met:

- CDM project has obtained the approval from the National Development and Reform Commission and registered as CDM project verified by the United Nations;
- the counterparties have committed to purchase the Certified Emission Reductions and the sales prices have been agreed; and
- relevant electricity has been generated.

CERs income is measured at fair value upon initial recognition. After that, CERs income is carried at the lower of cost and net realisable value.

#### 21 Employee benefits

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

##### (1) Pension benefits

Pursuant to the relevant laws and regulations of the PRC, the Group has joined a basic pension insurance for the employees arranged by local Labour and Social Security Bureaus. The Group makes contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. In addition, the Group has joined a supplementary pension insurance managed by China Huadian. The contributions are capitalised as part of the cost of assets or charged to profit or loss on an accrual basis. When employees retire, the local Labour and Social Security Bureaus and China Huadian are responsible for the payment of the basic and supplementary pension benefits to the retired employees. The Group does not have any other obligations in this respect.

##### (2) Housing fund and other social insurances

Besides the pension benefits, pursuant to the relevant laws and regulations of the PRC, the Group has joined defined social security contributions for employees, such as a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the employees' salaries. The contributions are recognised as cost of assets or charged to profit or loss on an accrual basis.

##### (3) Termination benefits

When the Group terminates the employment relationship with employees before the employment contracts have expired, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided, is recognised in profit or loss when both of the following conditions have been satisfied:

- The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly;
- The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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### 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 any 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.

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 intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

#### 24 Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term.

#### 25 Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

#### 26 Related parties

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control 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 or joint control over both the enterprises or individuals and the Group;
- (f) joint ventures of the Group, including subsidiaries of joint ventures;
- (g) associates of the Group, including subsidiaries of associates;
- (h) principal individual investors and close family members of such individuals;

## Notes to the financial statements (Continued)

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

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

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

#### 27 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- it may earn revenues and incur expense from business activities
- its operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance
- its financial information regarding financial position, results of operations and cash flows is available

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of:

- the nature of each 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

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

#### 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.

## Notes to the financial statements (Continued)

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### 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

As described in Note II. 18, other assets excluding inventories, financial assets and other long-term equity investments are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is provided.

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

##### (3) Depreciation and amortisation

As described in Note II. 13 and 16, fixed assets and intangible assets are depreciated and amortised using the straight-line method over their useful lives after taking into account residual value. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised.

##### (4) Deferred tax assets

As described in Note II. 23, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The Group obtained all relevant information, including the estimation of the volume of electricity and heat generated, selling price and related operating expenses based on reasonable and supportable assumption, to estimate whether sufficient future taxable profits will be available against which deductible temporary differences can be utilised. If there is an indication that there has been a change in the factors used to determine the deferred tax assets, the amount of deferred tax assets and tax expenses are revised.

##### (5) Intangible assets with indefinite useful lives

As described in Note II. 16, an intangible asset is regarded as having an indefinite useful life when there is no foreseeable limited to the period over which the asset is expected to generate economic benefits for the Group. The Group will reassess the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, or there has been a change in the factors used to determine the useful life, the amount of amortisation is revised.

#### 29 Changes in accounting policies

The Group changed the following significant accounting policies in the current accounting year, in accordance with China Accounting Standards for Business Enterprises Bulletin No. 4, which was issued by the MOF in 2010:

##### (1) Change of accounting treatment for the expenditure in business combinations not involving enterprises under common control

Before 1 January 2010, the Group, as the acquirer, in a business combination not involving enterprises under common control accounted for acquisition-related costs as a part of cost of acquisition. As of 1 January 2010, the Group accounts for these acquisition-related costs as expenses in the periods in which the costs are incurred.

The above change in accounting policy is with effect from 1 January 2010, and no retrospective adjustment has been made by the Group. The expenditure that the Group incurs in connection with a business combination not involving enterprises under common control for the current year was RMB 7,500,000.

##### (2) Change of accounting treatment for the excess of loss for the current period attributable to the minority shareholders in a subsidiary over the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary

Before 1 January 2010, in the consolidated financial statements, where losses attributable to the minority shareholders of a subsidiary exceed the minority shareholders' interest in the opening balance of equity of the subsidiary, the excess, and any further losses attributable to the minority shareholders, are allocated against the equity attributable to the Company except to the extent that the minority shareholders have a binding obligation under the Articles of Association or an agreement and are able to make additional investment to cover the losses. From 1 January 2010, when the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excesses are allocated to the minority interest.



## Notes to the financial statements (Continued)

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### II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 29 Changes in accounting policies (continued)

The Group made retrospective adjustments for the above change in the accounting policy. Affected amounts in the financial statements for the year ended 31 December 2009 and prior years due to the above change in the accounting policy are as follows:

Affected items in the financial statements	Affected amounts in the financial statements for 2009 and prior years
Net profit attributable to equity shareholders	(11,848)
Minority interests	11,848
The opening balance of equity attributable to equity shareholders	28,754
The opening balance of Minority interests	(28,754)

### III. TAXATION

#### 1 Main types of taxes and corresponding rates

Tax Name	Tax basis	Tax rate
VAT	Output VAT is calculated on product sales, based on tax laws.	
— Sales of electricity	The remaining balance of output VAT, after subtracting	17%
— Sales of heat	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.

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	7.5%	Enterprise income tax preferential policies on the development of the Western Region (Note (1)) 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%. In accordance with the approval document issued by the State Administration of Taxation of Ningxia Hui Nationality Autonomous Region, Lingwu Company's EIT rate for the year 2010 had been reduced to 15%.
- (2) Pursuant to the Notice issued by the People's Government of the Autonomous Region on Certain Policies on Attracting Investments to the Ningxia Hui Nationality Autonomous Region (Ning Zheng Fa [2004] No. 61), all new Ningxia industrial enterprises set up with non-domestic capital are, upon approval from the State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region, exempted from EIT for the first to third years since the commencement of operations, followed by a 50% reduction in EIT based on a preferential tax rate for the fourth and fifth years. In accordance with the approval documents issued by the State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region, Lingwu Company are exempted from EIT for the years 2007 to 2009 and entitled to a 50% reduction in EIT based on the prevailing applicable tax rate for the years 2010 and 2011. As mentioned in Note (1), Lingwu Company's EIT rate for the year 2010 had been reduced to 15%, therefore the applicable EIT rate of Lingwu Company for the current year was 7.5%.
- (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 (Continued)

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### 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 and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)		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	428,610	—
Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	Limited company	Gaoli Tibetan Autonomous Region, the PRC	Zhong Tongjin	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 Xucai	66293432-0	Generation and sale of electricity	52,480	43,680	78	78	Y	3,069	557
Huadian International Shandong Materials Company Limited ("Materials Company")	Limited company	Jinan, the PRC	Wang Wenqi	75919379-9	Procurement of materials	50,000	38,648	100	100	Y	—	—
Huadian Qingdao Heat Company Limited	Limited company	Qingdao, the PRC	Liu Kejun	77025937-7	Sale of heat	30,000	16,500	55	55	Y	60,369	3,093
Huadian International Shandong Project Company Limited	Limited company	Jinan, the PRC	Xing Shihang	76000563-X	Management of construction project	3,000	3,336	100	100	Y	—	—
Huadian International Shandong Information Company Limited	Limited company	Jinan, the PRC	Zhong Tongjin	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	79990031-6	Generation and sale of electricity	90,000	90,000	100	100	Y	—	—
Huadian Zoukuan Power Generation Company Limited ("Zoukuan Company")	Limited company	Zoucheng, the PRC	Zhong Tongjin	66930776-8	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y	979,452	—
Laizhou Wind Power Company	Limited company	Laizhou, the PRC	Dong Fengliang	67452399-1	Generation and sale of electricity	146,060	80,333	55	55	Y	80,334	—
Kalu 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 Luohu Power Generation Company Limited ("Luohu Company")	Limited company	Luohu, the PRC	Xing Shihang	68076402-X	Generation and sale of electricity	502,000	475,300	75	75	Y	27,656	20,560
Tengzhou Xinyuan Heat Company Limited ("Tengzhou Heat Company") (Note 1)	Limited company	Tengzhou, the PRC	Ge Lijun	68170352-8	Sale of heat	30,000	—	65.28	70	Y	7,332	648
Shanxi Machua Energy Investment Company Limited ("Machua 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	Zhangjiaokou, the PRC	Peng Guoquan	67418073-0	Generation and sale of electricity	300,000	336,100	100	100	Y	—	—
Huadian Kazuochongqi Wind Power Company Limited	Limited company	Inner Mongolia Autonomous Region, the PRC	Xie Wei	69590532-X	Generation and sale of electricity (under construction)	60,000	60,000	100	100	Y	—	—
Huadian Quodong Power Generation Company Limited ("Quodong Company")	Limited company	Xinxiang, the PRC	Xing Shihang	69599741-6	Generation and sale of electricity (under construction)	562,000	201,740	90	90	Y	16,646	114
Xinxiang Huadian Heat Company Limited ("Xinxiang Heat Company") (Note 2)	Limited company	Xinxiang, the PRC	Zheng Gang	56249931-7	Sale of heat (under construction)	24,570	—	90	100	Y	—	—
Huadian Ningxia Ningdong Shangde Solar Energy Company Limited	Limited company	Lingwu, the PRC	Ji Jun	69432440-1	Generation and sale of electricity	38,000	22,800	60	60	Y	15,380	—
Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company")	Limited company	Zhangjiaokou, 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 Shihang	55019512-1	Generation and sale of electricity (under construction)	104,400	99,180	95	95	Y	5,220	—
Huadian Zoucheng Heat Company Limited ("Zoucheng Heat Company")	Limited company	Zoucheng, the PRC	Li Huaixin	55994359-5	Sale of heat	80,000	56,000	70	70	Y	24,005	—
Shantou Huadian Power Generation Company Limited ("Shantou Company")	Limited company	Shantou, the PRC	Yin Dierjun	56084427-9	Generation and sale of electricity (under construction)	30,000	15,300	51	51	Y	14,700	—
Huadian Ningxia Yuejiangshan Wind Power Company Limited ("Yuejiangshan Wind Power Company")	Limited company	Guyuan, the PRC	Ji Jun	55418988-8	Generation and sale of electricity (under construction)	35,000	35,000	100	100	Y	—	—

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### 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 and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)	RMB'000	RMB'000	
Huadian Laizhou Power Generation Company Limited ("Laizhou Company")	Limited company	Laizhou, the PRC	Xing Shibang	5599202-1	Generation and sale of electricity (under construction)	10,000	7,500	75	75	Y	2,057	443
Guangdong Huadian Shaoguan Thermal Power Company Limited ("Shaoguan Thermal Power Company")	Limited company	Shaoguan, the PRC	Yin Zhengjun	56450155-6	Generation and sale of electricity and heat (under construction)	20,000	20,000	100	100	Y	—	—
Hebei Huadian Yuzhou Wind Company Limited ("Yuzhou Wind Power Company") (Note 3)	Limited company	Shijiazhuang, the PRC	Wang Li	56618950-0	Generation and sale of electricity (under construction)	20,000	—	100	100	Y	—	—

Note 1: Tengzhou Heat Company is the subsidiary of Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Thermal Power Company"), a subsidiary of the Company. The closing amount of investment is RMB 21,000,000.

Note 2: Xinxiang Heat Company is the subsidiary of Qudong Company, a subsidiary of the Company. The closing amount of investment is RMB 24,570,000.

Note 3: Yuzhou Wind Company is the subsidiary of Hebei Huarui Energy Group Corporation Limited ("Huarui Group Company"), a subsidiary of the Company. This Company was newly established and the closing amount of investment is RMB 20,000,000.

##### (2) Subsidiaries acquired through business combinations under common control

Name	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)	RMB'000	RMB'000	
Guang'an Company	Limited company	Guang'an, the PRC	Zhong Tonglin	2855243-3	Generation and sale of electricity	1,785,860	1,267,577	80	80	Y	442,430	—
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	Limited company	Xinxiang, the PRC	Wang Fengjiao	7538802-3	Generation and sale of electricity	69,000	372,100	90	90	Y	(38,061)	24,910
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Limited company	Suzhou, the PRC	Xu Xu	75299721-0	Generation and sale of electricity	327,852	829,267	97	97	Y	22,685	—
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	Limited company	Wuhu, the PRC	Xu Xu	76277372-0	Generation and sale of electricity	544,632	644,046	65	65	Y	312,871	—
Hangzhou Huadian Banshan Power Generation Company Limited ("Banshan Company")	Limited company	Hangzhou, the PRC	Wang Wenzhi	14304915-4	Generation and sale of electricity and heat	480,762	386,724	64	64	Y	285,401	—
Hebei Huadian Complex Pumping-storage Power Company Limited	Limited company	Luquan, the PRC	Kang Jirshu	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 Wenzhi	71318764-5	Generation and sale of electricity and heat	789,740	908,511	82	82	Y	150,679	39,171
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Thermal Power Company") (Note 4)	Limited company	Shijiazhuang, the PRC	Wang Wenzhi	79138055-1	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")	Limited company	Shijiazhuang, the PRC	Xing Shibang	67468696-X	Generation and sale of electricity and heat (under construction)	320,000	283,475	90	90	Y	31,416	521

Note 4: 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.

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### IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 1 Background of major subsidiaries (continued)

##### (3) Subsidiaries acquired through business combinations under non-common control (continued)

Name	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
								(%)	(%)			RMB'000
Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	Limited company	Qingdao, the PRC	Zhong Tongjin	16358000-3	Generation and sale of electricity and heat	700,000	345,668	55	55	Y	721,195	35,811
Huadian Weifang Power Generation Company Limited ("Weifang Company") (Note 5)	Limited company	Weifang, the PRC	Zhong Tongjin	16542339-4	Generation and sale of electricity and heat	1,250,000	823,483	45	45	Y	1,096,165	129,828
Huadian Zibo Thermal Power Company Limited ("Zibo Thermal Power Company")	Limited company	Zibo, the PRC	Xing Shibang	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	27,318	31,729
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	12,986	7,775
Zagunao Hydroelectric Company (Note 8)	Limited company	Lixian, the PRC	Wang Ning	75472823-3	Generation and sale of electricity	200,000	495,382	64	64	Y	178,286	558
Huanui Group Company (Note 6)	Limited company	Shijiazhuang, the PRC	Zhong Tongjin	75249920-0	Generation and sale of electricity and heat	538,000	966,895	100	100	Y	—	—
Huafeng Investment Company (Note 6)	Limited company	Shijiazhuang, the PRC	He Zengyun	75026749-2	Energy projects investment	977,300	—	96.68	96.68	Y	20,442	—
Hebei Fengyuan Industrial Company Limited ("Fengyuan Company") (Note 6)	Limited company	Shijiazhuang, the PRC	Wang Li	73024734-7	Sale of coal and chemical products	102,000	—	100	100	Y	—	—
Shanxi Dongji Zhonghou Coal Company Limited ("Dongji Coal Company") (Note 7)	Limited company	Shuzhou, the PRC	Diao Youfeng	X0243004-7	Resources consolidation, improvement and expansion services	12,180	—	70	70	Y	155,584	—
Shanxi Shuzhou Wantongyuan Epu Coal Company Limited ("Epu Coal Company") (Note 7)	Limited company	Shuzhou, the PRC	Diao Youfeng	11147348-4	Resources consolidation, improvement and expansion services	10,000	—	70	70	Y	170,585	—
Shandong Century Electric Power Development Corporation Limited ("Century Power Company") (Note 9)	Corporation limited	Longkou, the PRC	Gao Yujun	16942322-8	Generation and sale of electricity and heat	488,000	2,120,369	84.31	84.31	Y	341,298	—
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	684,706	100	100	Y	—	—
Shijiazhuang Huadian Heat Company Limited ("Shijiazhuang Heat Company") (Note 10)	Limited company	Shijiazhuang, the PRC	Kang Jinchu	71836417-X	Sale of heat	207,370	—	89.18	98	Y	(22,134)	—
Shijiazhuang Huadian Yuhua Heat Company Limited ("Yuhua Heat Company") (Note 10)	Limited company	Shijiazhuang, the PRC	Lu Xinjun	68928471-9	Sale of heat	129,400	—	94.48	100	Y	(75,806)	—
Shijiazhuang Huadian Luhua Heat Company Limited ("Luhua Heat Company") (Note 10)	Limited company	Shijiazhuang, the PRC	Xu Quanguo	68928446-0	Sale of heat (under construction)	100,000	—	84.45	100	Y	114,182	—
Shijiazhuang Xijiao Heat Company Limited ("Xijiao Heat Company") (Note 10)	Limited company	Shijiazhuang, the PRC	Wang Xuwei	74151255-6	Sale of heat	48,258	—	50.94	51.20	Y	2,661	—
Shijiazhuang Yuxi Heat Company Limited ("Yuxi Heat Company") (Note 10)	Limited company	Shijiazhuang, the PRC	Xu Quanguo	77771452-0	Sale of heat	10,000	—	100	100	Y	—	—
Shijiazhuang Beicheng Heat Company Limited ("Beicheng Heat Company") (Note 10)	Limited company	Shijiazhuang, the PRC	Xu Quanguo	74153211-9	Sale of heat	10,000	—	97.51	100	Y	—	—
Shijiazhuang Shiguang Heat Company Limited ("Shiguang Heat Company") (Note 10)	Limited company	Shijiazhuang, the PRC	Ge Maosheng	60107527-8	Sale of heat	8,600	—	58.13	59	Y	(8,315)	—

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### 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:** Although the Company's equity interest percentage 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 activity. 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 6:** Subsidiaries of Huarui Group Company, a subsidiary of the Company, include Huafeng Investment Company, Fengyuan Company, Jingxing Huarui Power Generation Company Limited ("Jingxing Company"), Hebei Huarui Matou Thermal Power Company Limited ("Matou Thermal Power Company"), Shijiazhuang Guanghua Thermal Power Company Limited ("Guanghua Thermal Power Company") and Handan Wanxing Power Thermal Company Limited ("Wanxing Thermal Power Company"). The above companies were acquired through business combinations under non-common control. The closing amounts of investments to Huafeng Investment Company, Fengyuan Company, Jingxing Company, Matou Thermal Power Company, Guanghua Thermal Power Company and Wanxing Thermal Power Company are RMB 880,362,312, RMB 168,096,000, RMB 3,300,000, RMB 5,140,800, RMB 50,300,000 and RMB 5,734,000 respectively.
- Note 7:** 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 8:** On 12 May 2010, the Company entered into an equity transfer agreement with other shareholders of Zagunao Hydroelectric Company to acquire an additional 15% equity interest in Zagunao Hydroelectric Company for RMB 45,854,000 in cash. The percentage of equity interest of the Company in Zagunao Hydroelectric Company increased from 49% to 64%.
- Note 9:** Subsidiaries of Century Power Company, a subsidiary of the Company, include Qingdao Guhe Power Generation Company Limited ("Guhe Company"), Longkou Dongyi Wind Power Company Limited ("Dongyi Wind Power Company") and Penglai East-sea Thermal Power Company Limited ("Donghai Thermal Power Company"). The closing amounts of investments to Guhe Company, Dongyi Wind Power Company and Donghai Thermal Power Company are RMB 6,000,000, RMB 51,120,000 and RMB 6,000,000 respectively.
- Note 10:** Yuhua Heat Company and Luhua Heat Company are the subsidiaries of Shijiazhuang Heat Company, a subsidiary of the Company. The closing amounts of investments are RMB 65,994,000 and RMB 51,000,000 respectively.

#### 2 The Company has no entities with special purpose or operating entities controlled through entrusted operating and leases during the year.

#### 3 Changes of the consolidation scope of the Company during the year are referred to Note IV. 4.

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

##### (1) Subsidiaries that are newly consolidated during the year

Name	Note	31 Dec 2010 Net assets	Net profit/(loss) for 2010
		RMB'000	RMB'000
Century Power Company and its subsidiaries	Note 1, Note 5	2,179,918	59,366
Pingshi Power Company	Note 2, Note 5	428,023	35,835
Shijiazhuang Heat Company and its subsidiaries	Note 3, Note 5	280,829	—
Xijiao Heat Company	Note 3, Note 5	5,453	—
Yuxi Heat Company	Note 3, Note 5	66,881	—
Beicheng Heat Company	Note 3, Note 5	(1,200)	—
Shiguang Heat Company	Note 3, Note 5	(20,282)	—
Xinxiang Heat Company	Note 4	24,570	—
Lu'an Company	Note 4	104,400	—
Kangbao Wind Power Company	Note 4	5,000	—
Zoucheng Heat Company	Note 4	80,018	18
Shantou Company	Note 4	30,000	—
Yueliangshan Wind Power Company	Note 4	35,000	—
Laizhou Company	Note 4	8,229	(1,771)
Shaoguan Thermal Power Company	Note 4	20,000	—
Yuzhou Wind Power Company	Note 4	20,000	—

**Note 1:** Century Power Company is the subsidiary newly acquired by the Company during the year, details are referred to Note IV. 1(3) and IV. 6(1).

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

**Note 3:** Shijiazhuang Heat Company and its subsidiaries (Yuhua Heat Company and Luhua Heat Company), Xijiao Heat Company, Yuxi Heat Company, Beicheng Heat Company and Shiguang Heat Company (together "Shijiazhuang Heat Entities") are the subsidiaries newly acquired by the Company during the year. Details are referred to Note IV. 1(3) and IV. 6(3).

**Note 4:** The nine above mentioned companies are the subsidiaries newly established by the Company during the period. Details are referred to Note IV. 1(1).

**Note 5:** Century Power Company and its subsidiaries, Pingshi Power Company and Shijiazhuang Heat Entities are the subsidiaries acquired through business combinations under non-common control. Net profits for the current year of the above companies are net profits from acquisition date to the end of year.

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

## Notes to the financial statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)  
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#### IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

##### (1) Acquisition of Century Power Company

At the acquisition date of 1 May 2010, the Company acquired 84.31% interests in Century Power Company, and obtained control on the subsidiaries of Century Power Company, by paying RMB 2,120 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 31 Dec 2010 RMB'000	Net profit from Acquisition date to 31 Dec 2010 RMB'000	Net cash inflow from operating activities from acquisition date to 31 Dec 2010 RMB'000
Century Power Company	1,537,581	59,366	134,894

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	395,203	395,203	397,649
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	1,118,445	2,315,303	1,154,947
Construction prepayments	16,481	16,481	20,376
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	893,526	2,112,207	1,219,983
Less: Minority interests		334,328	
Add: Goodwill		342,490	
Consideration		2,120,369	

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. The professional valuer used income method to evaluate the identifiable assets, and assumed that the existing state and local laws and regulations system, social and economic politics complied by Century Power Company remained stable in the future. And the professional valuer also assumed that Century Power Company would operate as a going concern and its operation style would be consistent.

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

## Notes to the financial statements (Continued)

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### 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

At the acquisition date of 21 May 2010, the Company acquired a 100% interest in Pingshi Power Company, by paying RMB 585 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 31 Dec 2010 RMB'000	Net profit from Acquisition date to 31 Dec 2010 RMB'000	Net cash inflow from operating activities from acquisition date to 31 Dec 2010 RMB'000
Pingshi Power Company	775,392	35,835	117,985

The identifiable assets and liabilities of the acquiree:

Item	Acquisition date (21 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	187,658	187,658	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	2,563,669	3,871,867	2,380,038
Construction prepayments	91,795	91,795	302,462
Intangible assets	125,464	178,770	122,982
Short-term loans	(240,000)	(240,000)	(409,500)
Payables	(430,672)	(430,672)	(480,744)
Non-current liabilities due within one year	(50,400)	(50,400)	(60,822)
Long-term loans	(2,226,000)	(2,226,000)	(2,023,448)
Long-term payables	(873,502)	(873,502)	(875,080)
Deferred tax liabilities	—	(340,376)	—
Total identifiable net assets	<b>(776,798)</b>	<b>244,330</b>	<b>(589,228)</b>
Add: Goodwill		<b>340,376</b>	
Consideration		<b>584,706</b>	

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. The professional valuer used income method to evaluate the identifiable assets, and assumed that the existing state and local laws and regulations system, social and economic politics complied by Pingshi Power Company remained stable in the future. And the professional valuer also assumed that Pingshi Power Company would operate as a going concern and its operation style would be consistent.

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

## Notes to the financial statements (Continued)

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#### IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

##### (3) Acquisition of Shijiazhuang Heat Entities

On 25 December 2010, the Company entered into an equity transfer agreement and a debt transfer agreement with Shijiazhuang Energy Investment Development Center ("Energy Investment Center"), pursuant to which, the Company will acquire the equity interests in Shijiazhuang Heat Company, Yuhua Heat Company, Xijiao Heat Company, Yuxi Heat Company, Beicheng Heat Company and Shiguang Heat Company held by Energy Investment Center at nil consideration, and Energy Investment Center will transfer its certain interests in debts due from Shijiazhuang Heat Entities to the Company. Upon the completion of the acquisition on 31 December 2010, the Company obtained controls of Shijiazhuang Heat Entities.

Shijiazhuang Heat Entities' information is as follows:

Acquiree	Establishment date	Parent company before acquisition	Percentage of direct interest acquired by the Company	Percentage of indirect interest acquired
			(%)	(%)
Shijiazhuang Heat Company (Note 1)	28 October 1999	Energy Investment Center	49	—
Yuhua Heat Company (Note 2)	31 May 2009	Shijiazhuang Heat Company	49	51
Xijiao Heat Company (Note 2)	30 July 2002	Energy Investment Center	48.80	2.40
Yuxi Heat Company	8 July 2005	Energy Investment Center	100	—
Beicheng Heat Company (Note 2)	15 August 2002	Energy Investment Center	77	23
Shiguang Heat Company (Note 2)	3 August 2000	Energy Investment Center	51	8
Luhua Heat Company (Note 3)	31 May 2009	Shijiazhuang Heat Company	—	100

Note 1: Shijiazhuang Thermal Power Company, a subsidiary of the Company, holds 49% equity interest in Shijiazhuang Heat Company.

Note 2: Shijiazhuang Heat Company holds 51% equity interest in Yuhua Heat Company, holds 2.40% equity interest in Xijiao Heat Company, holds 23% equity interest in Beicheng Heat Company and holds 8% equity interest in Shiguang Heat Company.

Note 3: Shijiazhuang Heat Company, Xijiao Heat Company, Yuxi Heat Company and Beicheng Heat Company hold 51%, 20%, 20% and 9% equity interest in Luhua Heat Company respectively, totaling hold 100% equity interest.

Energy Investment Centre belongs to the Shijiazhuang Municipal Development and Reform Commission, and is mainly responsible for raising and management of energy construction and development funds as well as the construction and development of other related projects. It also organizes and participates in the construction, renovation and operation of thermal power and other energy projects. Energy Investment Centre is an independent third party. In order to segregate responsibilities of supervision and operation of heat supply entities, Energy Investment Center intended to dispose its interests in the above Heat Entities and listed the equity interests on the Hebei Equity Exchange for public bidding with a base price of RMB nil. As part of the disposal, Energy Investment Center also intended to transfer its certain interests in debts due from Shijiazhuang Heat Entities to the acquirer.

The Group owns three thermal power companies and is a major heat supplier in Shijiazhuang. The acquisition will further consolidate and boost the Company's market share in the Shijiazhuang heat-supply market and facilitate the integration of the heat business of the Group, which promote the unified deployment and management of the existing three thermal power companies and such heat companies, thus achieving synergy and economies of scale. In addition, the acquisition will be conducive to the full utilization of the Company's cutting-edges in the operation and management of heat companies, and further enhance the safe and economical operation of Shijiazhuang Heat Entities, which will contribute to the stability and development of Shijiazhuang heat-supply market. Thus, pursuant to the shareholders' approval at the Shareholders' Meeting, the Company registered on the Hebei Equity Exchange as a bidder

Up to the end of listing date, the Company was the only bidder of the listing transfer of equity interest hold by Energy Investment Center. Pursuant to the equity transfer agreement, Energy Investment Center transferred the equity interest in Shijiazhuang Heat Entities to the Company at the price of RMB nil.

The operating income, Net profit and Net cash inflow from operating activities from acquisition date to 31 December 2010 of Shijiazhuang Heat Entities were RMB Nil.



## Notes to the financial statements (Continued)

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### IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

##### (3) Acquisition of Shijiazhuang Heat Entities (continued)

The identifiable assets and liabilities of the acquiree:

Item	Acquisition date (31 December 2010)		31 December 2009
	Carrying amount	Fair value	Carrying amount
	RMB'000	RMB'000	RMB'000
Cash at bank and on hand	312,276	312,276	349,952
Receivables	294,557	294,557	204,310
Inventories	24,952	22,105	38,163
Long-term receivables	68,393	68,393	79,573
Long-term equity investments	69,827	466	49,815
Fixed assets, construction in progress and construction materials	2,337,483	2,078,542	1,985,139
Construction prepayments	6,178	3,813	—
Intangible assets	5,765	14,129	4,921
Deferred tax assets	25,484	25,484	—
Short-term loans	(190,000)	(190,000)	(100,000)
Payables	(814,204)	(814,204)	(737,287)
Non-current liabilities due within one year	(90,027)	(90,027)	(10,000)
Long-term loans	(577,279)	(577,279)	(206,000)
Long-term payables	(1,213,515)	(524,865)	(1,367,489)
Deferred tax liabilities	—	(90,875)	—
Other non-current liabilities	(274,871)	(274,871)	(99,128)
Total identifiable net assets	<b>(14,981)</b>	<b>257,644</b>	<b>191,969</b>
Less: Fair value of previously-held equity interest before step acquisition		137,607	
Minority interests		(37)	
Add: Fair value of debts transferred		501,122	
Less: Gains from acquisition at nil consideration		621,196	
Consideration		—	

The fair value of previously-held 49% equity interest in Shijiazhuang Heat Company by Shijiazhuang Thermal Power Company, a subsidiary of the Company, was RMB 137,607,000 at acquisition date. The remeasurement to fair value in combination achieved in stages resulted in investment income of RMB 59,029,000.

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. The professional valuer used income method to evaluate the identifiable assets, and assumed that the existing state and local laws and regulations system, social and economic politics complied by the above heat entities remained stable in the future. And the professional valuer also assumed that the above heat entities would operate as a going concern and their operation style would be consistent.

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

# Notes to the Financial Statements

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 Cash at bank and on hand

Item	2010			2009		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
	'000		'000	'000		'000
Cash on hand: RMB			2,155			1,862
Cash at bank: RMB			1,231,666			1,238,182
US dollar	6	6.6227	40	7	6.8282	48
HK dollar	5	0.8501	4	5	0.8805	4
Other monetary fund: RMB			1,893			1,804
Guarantee deposits for bank acceptance bills payable: RMB			30,678			1,906
Total			1,266,436			1,243,806

### 2 Bills receivable

#### (1) Classification of bills receivable

Category	2010	2009
	RMB'000	RMB'000
Bank acceptance bills	118,623	44,616
Commercial acceptance bills	—	280,000
Total	118,623	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.

#### (2) As at 31 December 2010, no commercial acceptance bills have been discounted by the Group (2009: RMB 280,000,000).

#### (3) At the end of year, there are no acceptance bills transferred to accounts receivable due to non-performance of the issuers.

As at 31 December 2010, the top five outstanding endorsed bills that have not matured are as follows:

Issuer	Issuing date	Due date	Amount
			RMB'000
1. Agricultural Bank of China Co., Ltd. Beijing Development District subbranch	27 October 2010	26 April 2011	50,000
2. Agricultural Bank of China Co., Ltd. Beijing Development District subbranch	27 October 2010	26 April 2011	20,000
3. Agricultural Bank of China Co., Ltd. Beijing Development District subbranch	27 October 2010	26 April 2011	20,000
4. Bank of Ningxia Co., Ltd. Qingtongxia subbranch	19 August 2010	19 February 2011	10,000
5. Bank of Ningxia Co., Ltd. Qingtongxia subbranch	19 August 2010	19 February 2011	10,000
6. Bank of Ningxia Co., Ltd. Qingtongxia subbranch	19 August 2010	19 February 2011	10,000
7. China Minsheng Bank Co., Ltd. Xi'an Branch Banking Dept. Counter	30 July 2010	30 January 2011	10,000
8. China Minsheng Bank Co., Ltd. Xi'an Branch Banking Dept. Counter	30 July 2010	30 January 2011	10,000
9. China Minsheng Bank Co., Ltd. Xi'an Branch Banking Dept. Counter	30 July 2010	30 January 2011	10,000
10. Shanghai Pudong Development Bank Co., Ltd. Zhengzhou Branch Operating Centre	27 September 2010	27 March 2011	10,000
11. Shenzhen Development Bank Fuoshan branch	11 October 2010	11 April 2011	10,000
12. Shenzhen Development Bank Fuoshan branch	11 October 2010	11 April 2011	10,000
Total			180,000

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Trade receivables

#### (1) Trade receivables by customer type:

Type	2010	2009
	RMB'000	RMB'000
1. Trade receivables for sale of electricity	3,682,270	3,069,997
2. Trade receivables for sale of heat	199,691	221,246
Sub-total	3,881,961	3,291,243
Less: Provision for bad and doubtful debts	19,910	32,633
Total	3,862,051	3,258,610

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

Ageing	2010	2009
	RMB'000	RMB'000
Within one year (including one year)	3,848,414	3,254,037
Between one and two years (including two years)	9,064	—
Over three years	24,483	37,206
Sub-total	3,881,961	3,291,243
Less: Provision for bad and doubtful debts	19,910	32,633
Total	3,862,051	3,258,610

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

#### (3) Trade receivables by category

Category	Note	2010				2009			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(4)	3,602,781	92.81	19,910	0.55	3,170,692	96.34	32,633	1.03
Other insignificant trade receivables		279,180	7.19	—	—	120,551	3.66	—	—
Total		3,881,961	100.00	19,910	0.51	3,291,243	100.00	32,633	0.99

The Group does not hold any collateral over the above trade receivables which are impaired.

#### (4) Provision for bad and doubtful debts for individually significant trade receivables at the end of year

Content of trade receivables	Gross carrying amount	Provision for bad and doubtful debts	Percentage	Reason
	RMB'000	RMB'000	(%)	
Sale of electricity	12,722	12,722	100.00	Long ageing
Sale of Heat	11,761	7,188	61.12	Long ageing
Total	24,483	19,910		

#### (5) 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.

#### (6) The Group does not actually write-off any trade receivables during the period.

# Notes to the Financial Statements

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3 Trade receivables (continued)

#### (7) As at 31 December 2010, trade receivables due from the five biggest debtors of the Group

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total trade receivables
				(%)
		RMB'000		
1. SEPCO	Third party	1,643,085	Within one year	42.33
2. Sichuan Electric Power Corporation	Third party	852,530	Within one year (Note)	21.96
3. Anhui Electric Power Company	Third party	216,480	Within one year	5.58
4. Ningxia Electric Power Company	Third party	201,201	Within one year	5.18
5. Guangdong Power Grid Corporation	Third party	185,895	Within one year	4.79
Total		<u>3,099,191</u>		<u>79.84</u>

Note: The ageing of the trade receivables amounted to RMB 12,721,903, 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.

#### (8) 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.

#### (9) As at 31 December 2010, derecognition of accounts receivable due to transfer of financial assets

Item	Amount derecognised	Losses related to derecognition
	RMB'000	RMB'000
Trade receivable factoring without recourse	<u>1,510,000</u>	<u>688</u>

#### (10) The Group does not securitize accounts receivable, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

### 4 Other receivables

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

Ageing	2010	2009
	RMB'000	RMB'000
Within one year (including one year)	<b>323,692</b>	86,028
Between one and two years (including two years)	<b>79,808</b>	155,968
Between two and three years (including three years)	<b>146,311</b>	490
Over three years	<b>53,756</b>	3,996
Sub-total	<b>603,567</b>	246,482
Less: Provision for bad and doubtful debts	<b>2,858</b>	4,491
Total	<u><b>600,709</b></u>	<u>241,991</u>

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

#### (2) Other receivables by category

Category	2010				2009			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant other receivables	<u>521,937</u>	<u>86.48</u>	<u>2,266</u>	<u>0.43</u>	203,403	82.52	4,227	2.08
Other insignificant other receivables	<u>81,630</u>	<u>13.52</u>	<u>592</u>	<u>0.73</u>	43,079	17.48	264	0.61
Total	<u><b>603,567</b></u>	<u><b>100.00</b></u>	<u><b>2,858</b></u>	<u><b>0.47</b></u>	<u><b>246,482</b></u>	<u><b>100.00</b></u>	<u><b>4,491</b></u>	<u><b>1.82</b></u>

The Group does not hold any collateral over the above other receivables which are impaired.

# Notes to the Financial Statements

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4 Other receivables (continued)

#### (3) Reversal and recovery of provision for bad and doubtful debts during the year

Bad debts for which a provision was made before the current reporting period being recovered during the year are as follows:

Content of other receivables	Reason for original provision	Accumulated provision for bad and doubtful debts before recovery	Amount of recovery
		RMB'000	RMB'000
Disposal of assets	Long ageing	1,961	1,961

#### (4) The Group does not actually write-off any other receivables during the year.

#### (5) As at 31 December 2010, other receivables due from the five biggest debtors

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		(%)
1. Zoucheng city Housing and Urban-Rural Construction Committee	Third party	90,000	Within one year	14.91
2. China Ping An Property Insurance Co., Ltd. Sichuan Branch	Third party	64,350	Between two and three years	10.66
3. China Pacific Property Insurance Co., Ltd. Sichuan Branch	Third party	51,480	Between two and three years	8.53
4. Hebei Property Rights Exchange	Third party	50,000	Within one year	8.29
5. Linfen City Changfa Coal Coke Company Limited ("Linfen Changfa Company")	Related party	48,068	Between one and four years	7.96
Total		<u>303,898</u>		<u>50.35</u>

#### (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.

#### (7) The Group does not have derecognition of others receivable due to transfer of financial assets during the year.

#### (8) The Group does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

### 5 Prepayments

#### (1) Prepayments by category:

Category	2010	2009
	RMB'000	RMB'000
Prepayments for purchase of fuel	710,622	339,786
Prepayments for purchase of materials	149,066	142,367
Total	<u>859,688</u>	<u>482,153</u>

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 5 Prepayments (continued)

#### (2) The prepayments by ageing

Ageing	2010		2009	
	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)
Within one year (including one year)	792,180	92.15	475,075	98.53
Between one and two years (including two years)	63,273	7.36	6,195	1.29
Between two and three years (including three years)	3,743	0.43	883	0.18
Over three years	492	0.06	—	—
Total	859,688	100.00	482,153	100.00

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

As at 31 December 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.

### 6 Inventories

#### (1) Inventories by category and an analysis of the movements of inventories for the year are as follows:

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Coal, stalk and gas	908,239	33,383,555	(33,081,113)	1,210,681
Fuel oil	68,753	206,410	(181,298)	93,865
Materials, components and spare parts	444,395	5,064,544	(4,978,211)	530,728
Sub-total	1,421,387	38,654,509	(38,240,622)	1,835,274
Less: Provision for diminution in value of inventories	75,218	374	(557)	75,035
Total	1,346,169	38,654,135	(38,240,065)	1,760,239

#### (2) Provision for diminution in value of inventories

Category of inventories	Opening balance	Provision made for the year	Decrease for the year		Closing balance
			Reversal	Write-off	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Materials, components and spare parts	75,218	374	(557)	—	75,035

### 7 Other current assets

Item	2010	2009
	RMB'000	RMB'000
VAT recoverable	1,070,284	594,231
Prepaid city maintenance and construction tax	12	552
Prepaid EIT	66,101	61,522
Others	590	4,442
Total	1,136,987	660,747

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8 Available-for-sale financial assets

As at 31 December 2010, Available-for-sale financial assets represent 7,169,100 shares of the Bank of Communications Co., Ltd. And 480,000 shares of Yantai Yuancheng Enterprise Group Co., Ltd. held by the Group, changes in fair value of the period, see Note X.3.

### 9 Long-term receivables

Long-term receivables represent loan principle from Hebei New Resource Infrastructure Investment Company Limited ("New Resource Company") by Xijiao Heat Company, a subsidiary of the Company. On 21 December 2008, Xijiao Heat Company entered into a long-term loan agreement for five years with New Resource Company, pursuant to which, Xijiao Heat Company granted RMB 119,000,000 to New Resource Company. The loan is bearing an interest rate implemented in accordance with which announced by the People's Bank of China for the corresponding period and should be paid quarterly. Up to 31 December 2010, New Resource Company has repaid RMB 50,607,000.

### 10 Long-term equity investments

#### (1) Long-term equity investments by category

Item	2010	2009
	RMB'000	RMB'000
Investments in jointly controlled entity	227,237	221,799
Investments in associates	9,024,644	3,952,640
Other long-term equity investments	261,063	565,198
Sub-total	9,512,944	4,739,637
Less: Provision for impairment	—	—
Total	9,512,944	4,739,637

#### (2) An analysis of the movements of Long-term equity investments for the year is as follows:

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method				Closing balance	Shareholding percentage	Voting rights
				Gains/(losses) in investment	Transfer of capital reserve	Cash dividends for the year				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	
Equity method-joint ventures										
Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")										
	142,800	221,799	—	5,438	—	—	227,237	50	50	
Equity method-associates										
Ningxia Power Generation (Group) Company Limited ("Ningxia Power Company")										
	630,000	392,681	350,000	116,508	158,086	—	1,017,275	23.66	23.66	
Anhui Chizhou Juhua Power Generation Company Limited ("Chizhou Company")										
	258,940	111,275	—	(111,275)	—	—	—	40	40	
Huadian Property Co. Ltd. ("Huadian Property")										
	290,000	286,974	—	(5,633)	—	—	281,341	20	20	
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")										
	344,000	131,121	—	(37,270)	—	—	93,851	40	40	
Huadian Coal Industry Group Company Limited ("Huadian Coal") (Note 1)										
	549,700	420,178	97,418	128,196	—	—	645,792	17.94	18.17	
China Huadian Finance Corporation Limited ("China Huadian Finance") (Note 1)										
	861,095	481,848	499,985	38,949	731	(28,030)	993,483	15.91	16.46	
China Huadian New Energy Development Company Limited ("Huadian New Energy") (Note 2)										
	139,605	143,233	(149,521)	7,953	—	(1,665)	—	—	—	
Shijiazhuang Heat Company (Note 3)										
	117,143	124,576	(78,578)	(45,998)	—	—	—	—	—	
Hengshui Hengxing Power Generation Company Limited ("Hengxing Company")										
	189,604	202,465	—	16,852	—	(27,129)	192,188	30	30	
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")										
	165,819	98,193	69,646	7,127	—	(5,598)	169,368	44.08	44.08	
Xingtai Guotai Power Generation Company Limited ("Guotai Company")										
	208,842	218,895	—	(796)	—	(25,357)	192,742	33.84	35	

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Long-term equity investments (continued)

(2) An analysis of the movements of Long-term equity investments for the year is as follows (continued):

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method			Closing balance	Shareholding percentage	Voting rights
				Gains/(losses) in investment	Transfer of capital reserve	Cash dividends for the year			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	435,996	435,921	—	34,017	—	(31,291)	438,647	33.84	35
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited ("Dongsheng Company")	112,812	128,961	—	24,421	—	(16,400)	136,982	19.34	20
Guodian Huaian Thermal Power Company Limited ("Huaian Company")	143,682	164,791	—	17,105	—	—	181,896	33.84	35
Otog Front Banner Changcheng Mine Company Limited ("Changcheng Mine Company")	452,612	109,050	343,562	33,569	—	—	486,181	35	35
Inner Mongolia Fucheng Mining Company Limited ("Fucheng Mining Company")	498,042	309,042	189,000	74,631	—	—	572,673	35	35
Ningdong Railway Corporation Limited ("Ningdong Railway Company") (Note 1)	300,000	—	300,000	18,351	24	—	318,375	10	10
Lingfen Changfa Company (Note 4)	280,870	—	280,870	—	—	—	280,870	19.75	33
Otog Front Banner Quanhui Trading Company Limited ("Quanhui Trading")	938,834	—	938,834	—	—	—	938,834	35	35
Otog Front Banner Baihui Trading Company Limited ("Baihui Trading")	569,724	—	569,724	—	—	—	569,724	35	35
Otog Front Banner Zhengtai Trading Company Limited ("Zhengtai Trading")	644,885	—	644,885	—	—	—	644,885	35	35
Ningxia Yixing Coal Company Limited ("Yixing Coal")	600,000	—	600,000	—	—	—	600,000	45	45
Other associates	261,078	193,436	75,510	6,085	—	(5,494)	269,537		
Sub-total	8,993,283	3,952,640	4,731,335	322,792	158,841	(140,964)	9,024,644		
Total	9,136,083	4,174,439	4,731,335	328,230	158,841	(140,964)	9,251,881		

Note 1: Although the Company's equity interest percentage and voting rights in Huadian Coal, China Huadian Finance and Ningdong Railway Company are less than 20%, according to the articles of association of the above three companies, the Company has the representative in the Board of Directors and can participate in the financial and operating policy decisions of them. As a result, the management of the Company determined that the Company has significant influence over Huadian Coal, China Huadian Finance and Ningdong Railway Company, and recognises them as associates.

Note 2: On 29 October 2010, the Company entered into an capital increase and restructuring agreement with China Huadian, Huadian Energy Co., Ltd., China Huadian Engineering (Group) Corporation ("Huadian Engineering"), Guizhou Wujiang Hydroelectric Development Corporation and Huadian Fuxin Energy Company Limited ("Fuxin Energy"). Pursuant to the agreement, the Company increased capital contribution to Fuxin Energy with the equity interest in Hudian New Energy. After that, the Company holds about 2.46% equity interest in restructured Fuxin Energy. On 31 December 2010, the Company disposed all of the equity interests in Fuxin Energy, see Note V. 41(4).

Note 3: On 31 December 2010, the Company acquired a 49% equity interest in Shijiazhuang Heat Company owned by Energy Investment Centre, thus Shijiazhuang Heat Company was changed from an associate to a subsidiary of the Company.

Note 4: On 1 May 2010, the Company acquired a 84.31% interest in Century Power Company. Linfen Changfa Company is an associate of Donghai Thermal Power Company, a subsidiary of Century Power Company.



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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Long-term equity investments (continued)

(2) An analysis of the movements of Long-term equity investments for the year is as follows (continued):

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the year
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method							
Shandong Luneng Heze Coal Power Development Company Limited ("Luneng Heze Company")	103,609	103,609	—	103,609	12.27	12.27	—
Shanxi Jinzhongnan Railway Coal Distribution Company Limited ("Jinzhongnan Coal Company")	39,200	39,200	—	39,200	14	14	—
Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited ("Daduhe Hydropower Company")	17,500	12,500	5,000	17,500	5	5	—
Sichuan Huayingshan Coal Company Limited	20,000	20,000	—	20,000	2	2	—
Hebei Handan Thermal Power Corporation Limited ("Handan Thermal Power")	72,289	72,289	—	72,289	16	16	—
CHD Power Plant Operation Company Limited ("CHD Operation")	5,000	5,000	(5,000)	—	—	—	—
Ningdong Railway Company	300,000	300,000	(300,000)	—	—	—	—
Zhejiang Fuxing Electric Power Fuel Company Limited ("Fuxing Fuel")	4,600	4,600	(4,600)	—	—	—	—
Other investment	8,465	8,000	465	8,465	—	—	—
<b>Total</b>	<b>570,663</b>	<b>565,198</b>	<b>(304,135)</b>	<b>261,063</b>			

(3) Information of significant investment in jointly controlled entity and associates

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Closing balance of total assets	Closing balance of net assets	Operating income for the year
						RMB'000	RMB'000	RMB'000	RMB'000
I. Jointly controlled entity									
Zhongning Company	Limited company	Yinchuan, the PRC	Ji Jun	73597054-2	Generation and sale of electricity	285,600	1,965,024	454,474	841,730
II. Associates									
Ningxia Power Company	Limited company	Yinchuan, the PRC	Liu Yingkuan	75080505-1	Generation and sale of electricity and investment holding	3,573,140	15,425,446	3,946,601	8,246,548
Chizhou Company	Limited company	Chizhou, the PRC	Wang Wenqi	75099966-9	Generation and sale of electricity	640,000	1,848,385	—	821,174
Huadian Property	Limited company	Beijing, the PRC	Xin Baoan	77545281-1	Property development	1,450,000	3,437,198	1,406,705	290,730
Luzhou Company	Limited company	Luzhou, the PRC	Guo Yong	76728573-4	Generation and sale of electricity	200,000	4,732,145	289,628	1,455,372
Huadian Coal	Limited company	Beijing, the PRC	Deng Jianling	71093361-4	Provision of coal procurement service	1,560,000	16,494,663	5,015,818	8,246,548
China Huadian Finance	Limited company	Beijing, the PRC	Chen Feihu	11778303-7	Provision of corporate financial service to its group companies	5,000,000	23,456,113	6,035,118	816,568
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Company")	Limited company	Baoding, the PRC	He Zengyun	10595188-1	Generation and sale of electricity and heat	12,930	96,489	49,259	220,716
Xingtai Xiangtai Thermal Power Company Limited ("Xiangtai Company")	Limited company	Xingtai, the PRC	Han Guozhao	75028577-0	Generation and sale of electricity and heat	4,000	12,835	12,525	110,012
Hengxing Company	Limited company	Hengshui, the PRC	Wang Jinsheng	74341504-7	Generation and sale of electricity and heat	475,000	1,615,609	640,628	1,100,128
Yuzhou Wind Company	Limited company	Zhangjiakou, the PRC	Sun Xintian	79842721-3	Generation and sale of electricity	364,000	1,321,516	384,227	93,380
Guotai Company	Limited company	Xingtai, the PRC	Wang Jinsheng	75244165-0	Generation and sale of electricity and heat	400,000	1,824,621	551,464	1,184,932
Xibaipo Company	Limited company	Shijiazhuang, the PRC	Wang Yongzhong	75243698-2	Generation and sale of electricity and heat	880,000	4,334,920	1,252,482	2,092,266
Dongsheng Company	Limited company	Ereduosi, the PRC	Miu Jun	78300656-3	Generation and sale of electricity and heat	500,000	2,786,936	684,742	744,463
Huaian Company	Limited company	Zhangjiakou, the PRC	Li Enyi	78981246-X	Generation and sale of electricity and heat	514,800	2,500,195	519,380	1,042,527
Changcheng Mine Company	Limited company	Inner Mongolia, the PRC	Shi Wei	77221211-8	Sale of mechanical equipments and accessories for coal mines	23,077	2,581,077	2,153,129	606,810

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 10 Long-term equity investments (continued)

#### (3) 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	Closing balance of total assets	Closing balance of net assets	Operating income for the year
						RMB'000	RMB'000	RMB'000	RMB'000
II. Associates (continued)									
Fucheng Mining Company	Limited company	Inner Mongolia, the PRC	Shi Wei	78707803-8	Sale of ironstone and steel products	150,000	2,170,200	1,679,459	752,536
Lingfen Changfa Company	Limited company	Lin Fen, the PRC	Wang Changfa	74855404-6	Wholesale and retail of refined coal coke and etc. (under construction)	10,000	1,361,356	854,621	—
Ningdong Railway Company	Corporation limited	Yin Chuan, the PRC	Bao Jinquan	69432300-6	Railway development and management	3,000,000	3,674,763	3,183,754	572,568
Quanhui Trading	Limited company	Inner Mongolia, the PRC	Fan Xilong	78300453-3	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	2,837,907	2,725,111	—
Baihui Trading	Limited company	Inner Mongolia, the PRC	Fan Xilong	78300454-1	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	1,710,548	1,698,979	—
Zhengtai Trading	Limited company	Inner Mongolia, the PRC	Wang Tao	76106842-1	Hardware & electro-mechanical products, dairy commodities, agriculture & livestock products wholesale and retail (under construction)	6,770	2,048,229	1,845,197	—
Yinxing Coal	Limited company	Yin Chuan, the PRC	Huang Jinhai	67040432-X	Development of coal mines	611,000	925,496	611,000	—

### 11 Fixed assets

#### (1) Fixed assets

Item	Plants and buildings	Generators and related machinery and equipment	Mining structures and mining rights	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>I. Cost</b>					
Opening balance for the year	21,761,213	66,667,626	63,808	1,607,608	90,100,255
Additions for the year	44,048	11,147	142,066	104,774	302,035
Additions from acquisition of subsidiaries	2,359,370	4,333,606	—	68,787	6,761,763
Transferred from construction in progress	3,449,006	4,733,955	—	126,064	8,309,025
Disposals for the year	(75,812)	(334,317)	—	(26,218)	(436,347)
Closing balance for the year	27,537,825	75,412,017	205,874	1,881,015	105,036,731
<b>II. Accumulated depreciation</b>					
Opening balance for the year	(5,643,528)	(19,821,500)	—	(871,765)	(26,336,793)
Charge for the year	(884,743)	(3,493,623)	—	(158,559)	(4,536,925)
Written-back on disposals	37,794	332,575	—	24,339	394,708
Closing balance for the year	(6,490,477)	(22,982,548)	—	(1,005,985)	(30,479,010)
<b>III. Net book value</b>					
Closing balance for the year	21,047,348	52,429,469	205,874	875,030	74,557,721
Opening balance for the year	16,117,685	46,846,126	63,808	735,843	63,763,462

As at 31 December 2010, the Group has the mortgaged fixed assets that have been restricted on the ownership. Details are referred to Note V. 19.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11 Fixed assets (continued)

- (2) As at 31 December 2010, the Group did not have any temporary idle fixed assets.
- (3) As at 31 December 2010, the Group did not have any fixed assets acquired under finance leases or leased out under operating leases.
- (4) As at 31 December 2010, the Group did not have any fixed assets held for sale.
- (5) As at 31 December 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.

### 12 Construction in progress

Project	Budget amount	Opening balance	Additions through acquisition of subsidiaries	Additions for the year	Transfer to fixed assets	Transfer to intangible assets	Closing balance	Percentage of input to budget	Accumulated capitalised interest	Including: capitalised interest for the year	Source of funds
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	RMB'000	RMB'000	
Laizhou Power Company Phase I generating units	7,120,000	206,200	—	410,598	—	—	616,798	9	128,060	29,078	Self-financing and bank loans
Guang'an Company Phase III generating units	4,490,400	254,519	—	123,862	—	—	378,381	89	23,252	12,278	Self-financing and bank loans
Luohe Company Phase I generating units	2,677,930	606,477	—	298,286	(904,763)	—	—	91	—	19,707	Self-financing and bank loans
Lingwu Company Phase II generating units	7,669,000	910,371	—	1,462,070	—	—	2,372,441	31	342,570	181,420	Self-financing and bank loans
Luding Hydroelectric Company Phase I generating units	8,782,228	2,005,554	—	2,014,108	—	—	4,019,662	46	237,878	91,638	Self-financing and bank loans
Kailu Wind Power Company Yihetala Phase I generating units	532,940	267,690	—	262,533	(530,223)	—	—	100	—	3,162	Self-financing and bank loans
Kailu Wind Power Company Beiqinghe generating units	2,421,570	1,477,651	—	360,620	—	(1,838,271)	—	92	—	4,577	Self-financing and bank loans
Yuhua Thermal Power Company project	2,731,620	104,271	—	182,273	(79,000)	—	207,544	94	8,987	7,530	Self-financing and bank loans
Luhua Thermal Power Company Xijiao Thermal Power project	3,052,440	158,394	—	979,843	—	—	1,138,237	37	77,437	53,624	Self-financing and bank loans
Zagunao Hydroelectric Company Shiziping hydroelectric project	3,082,000	2,797,108	—	460,793	(2,000,000)	—	1,257,901	111	147,921	67,925	Self-financing and bank loans
Zagunao Hydroelectric Company Gucheng hydroelectric project	1,537,000	1,451,133	—	388,562	(1,000,000)	—	839,695	123	110,450	81,608	Self-financing and bank loans
Qudong Company Thermal Power project	2,810,000	126,203	—	446,926	—	—	573,129	20	66,845	24,717	Self-financing and bank loans
Pingshi Power Company Phase III generating units	2,766,000	—	1,028,580	133,040	(1,161,620)	—	—	100	—	20,435	Self-financing and bank loans
Desulphurisation, technical improvement projects and others	—	2,204,921	457,738	3,810,554	(2,633,419)	(634,281)	3,205,513	—	192,405	134,913	Self-financing and bank loans
		<u>12,570,492</u>	<u>1,486,318</u>	<u>11,334,068</u>	<u>(8,309,025)</u>	<u>(2,472,552)</u>	<u>14,609,301</u>		<u>1,335,805</u>	<u>732,612</u>	

The Group's carrying amount of construction in progress at the end of the year included capitalised borrowing cost of RMB 1,340 million (2009: RMB 1,270 million). The interest rate per annum at which the borrowing costs were capitalised for the year by the Group was 5.25% (2009: 5.10%).

### 13 Construction materials

Item	Opening balance	Additions through acquisition	Additions for the year	Decreases for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Construction materials	<u>22,000</u>	<u>17,631</u>	<u>1,463,943</u>	<u>(623,943)</u>	<u>879,631</u>

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### 14 Intangible assets

Item	Land use rights	Mining rights	Concession assets	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>I. Cost</b>					
Opening balance for the year	1,459,374	1,692,340	—	15,846	3,167,560
Additions for the year	32,605	3,127,403	565,187	3,508	3,728,703
Additions from acquisition of subsidiaries	543,923	—	—	2,923	546,846
Transferred from construction in progress	—	—	2,472,552	—	2,472,552
Closing balance for the year	2,035,902	4,819,743	3,037,739	22,277	9,915,661
<b>II. Accumulated amortisation</b>					
Opening balance for the year	(236,940)	—	—	(4,132)	(241,072)
Charge for the year	(41,560)	—	(86,118)	(3,570)	(131,248)
Closing balance for the year	(278,500)	—	(86,118)	(7,702)	(372,320)
<b>III. Net book value</b>					
Closing balance for the year	1,757,402	4,819,743	2,951,621	14,575	9,543,341
Opening balance for the year	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.

Concession assets are recognised by Kailu Wind Power Company and Guyuan Wind Power Company, subsidiaries of the Company, according to service concession arrangements. The carrying amount of concession assets at the end of the period included capitalised borrowing cost of RMB 27,755,000 (2009: RMB nil). The interest rate per annum at which the borrowing costs were capitalised for the period by the Group was 5.25% (2009: 5.10%).

As at 31 December 2010, the Group has the mortgaged intangible assets that have been restricted on the ownership. Details are referred to Note V. 19.

As at 31 December 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. As at 31 December 20, the Group had performed impairment test to those land use rights. According to the test results, no provision for impairment was needed to be made on intangible assets with indefinite useful lives by the Group for the current year.

### 15 Goodwill

Investee name	Note	Opening balance	Addition for the year	Decrease for the year	Closing balance	Provision for impairment at the year end
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Laicheng Plant	(1)	12,111	—	—	12,111	—
Zibo Thermal Power Company	(1)	4,555	—	—	4,555	—
Weifang Company	(1)	20,845	—	—	20,845	—
Zagunao Hydroelectric Company	(1)	16,011	—	—	16,011	—
Huarui Group Company	(1)	54,164	—	—	54,164	—
Bainian Power Company	IV. 6(1)	—	342,490	—	342,490	—
Pingshi Power Company	IV. 6(2)	—	340,376	—	340,376	—
Total		107,686	682,866	—	790,552	—

Note:

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

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15 Goodwill (continued)

As at 31 December 2010, the Group had performed impairment test to goodwill mentioned above. According to the test results, no provision for impairment was needed to be made on the goodwill by the Group for the current year.

The Group allocated goodwill to asset groups identified according to operating area. The recoverable amount of asset group is determined based on the present value of expected future cash flows. The Group calculated the present value of expected future cash flows of asset group based on financial forecasts covering a five-year period ("forecast period") for Power Plants' generating units and a pre-tax discount rate of 8.00%. Management anticipates that the cash flows beyond forecast period are similar to cash flows in the last forecast period. Based on the estimated recoverable amount, no impairment loss was recognised.

Other key assumptions used to perform impairment test including estimated electricity price, demand conditions for electricity in the area of power plants and purchase price of coal. Management determined those key assumptions based on the historical operating performance and the expectation for future market condition, and they expected the above assumptions are subject to change. Management believes that any adverse change in the assumptions would cause the carrying amount of individual asset group to exceed its recoverable amount.

### 16 Deferred tax assets /deferred tax liabilities

#### (1) Deferred tax assets or liabilities and related deductible or taxable temporary differences after offsetting

Item	2010		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	123,640	29,269	112,335	25,157
Accrued salary expenses	38,204	9,505	107,237	26,545
Tax losses	1,801,344	441,227	1,415,255	344,615
Fair value adjustment	(4,650,094)	(1,137,923)	(1,849,414)	(506,259)
Long-term payables discounting	(688,650)	(172,163)	—	—
Depreciation of fixed assets	(3,367,817)	(841,994)	(3,027,670)	(756,716)
Others	134,477	33,620	25,632	6,118
Total	<b>(6,608,896)</b>	<b>(1,638,459)</b>	<b>(3,216,625)</b>	<b>(860,540)</b>
Offsetting amount		<b>307,054</b>		<b>174,344</b>
Amounts after offsetting presented in balance sheet				
Deferred tax assets		<b>322,269</b>		285,257
Deferred tax liabilities		<b>(1,960,728)</b>		(1,145,797)
Total		<b>(1,638,459)</b>		<b>(860,540)</b>

The movements of deferred tax assets and liabilities for the year

	Deferred tax assets/(liabilities)				
	Opening balance	Movement charged to capital reserve	Movement charged to income statement	Acquisition	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for stock and bad debt	25,157	—	(5,824)	9,936	29,269
Accrued salary expenses	26,545	—	(19,988)	2,948	9,505
Tax losses	344,615	—	96,612	—	441,227
Fair value adjustment	(506,259)	5,846	28,613	(666,123)	(1,137,923)
Long-term payables discounting	—	—	—	(172,163)	(172,163)
Depreciation of fixed assets	(756,716)	—	(83,255)	(2,023)	(841,994)
Others	6,118	—	(4,464)	31,966	33,620
Total	<b>(860,540)</b>	<b>5,846</b>	<b>11,694</b>	<b>(795,459)</b>	<b>(1,638,459)</b>

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 16 Deferred tax assets /deferred tax liabilities (continued)

#### (2) Details of unrecognised deferred tax assets

Item	2010	2009
	RMB'000	RMB'000
Deductible tax losses	<b>2,989,186</b>	1,747,596

#### (3) Expiration of deductible tax losses for unrecognised deferred tax assets

Year	2010	2009
	RMB'000	RMB'000
2011	<b>23,878</b>	—
2012	<b>9,945</b>	—
2013	<b>1,550,174</b>	1,626,546
2014	<b>149,800</b>	121,050
2015	<b>1,255,389</b>	—
Total	<b>2,989,186</b>	1,747,596

### 17 Other non-current assets

Item	2010	2009
	RMB'000	RMB'000
Prepayments for investment	<b>270,810</b>	1,722,896

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.

### 18 Details of provisions for impairment

Item	Note	Opening balance	Charge for the year	Decrease for the year		Closing balance
				Reversal	Write off	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
I. Provision for bad and doubtful debts						
Trade receivables	V.3	32,633	56	(12,779)	—	19,910
Other receivables	V.4	4,491	328	(1,961)	—	2,858
II. Provision for diminution in value of inventories	V.6	75,218	374	(557)	—	75,035
Total		<b>112,342</b>	<b>758</b>	<b>(15,297)</b>	<b>—</b>	<b>97,803</b>

### 19 Restricted assets

As at 31 December 2010, the assets with restrictions placed on their ownership were as follows:

Category	Note	Opening balance	Acquisition of subsidiaries	Charge for the year	Decrease for the year	Closing balance
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets used as guarantee and frozen fund						
— Cash at bank and on hand	V.1	1,906	1,700	46,473	(19,401)	30,678
— Bills receivable	V.2	280,000	—	—	(280,000)	—
— Trade receivables	V.3	143,283	—	420,212	(507,796)	55,699
— Fixed assets	V.11	—	111,383	—	—	111,383
— Intangible assets	V.14	—	107,919	—	—	107,919
Total		<b>425,189</b>	<b>221,002</b>	<b>466,685</b>	<b>(807,197)</b>	<b>305,679</b>

The Group's cash at bank and on hand used as guarantee and frozen fund represent bank deposits pledged for bills payable. The Group's bills receivable used as guarantee represent discounted commercial acceptance bills to financial institutions, and their risks and rewards did not transfer. The Group's trade receivables used as guarantee represent trade receivables for sale of electricity pledged for short-term loans. The Group's fixed assets and intangible assets used as guarantee represent plants, equipment and land use rights mortgaged for long-term loans.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 20 Short-term loans

#### (1) Short-term loans by category

Item	2010	2009
	RMB'000	RMB'000
Unsecured loans	24,249,330	16,683,380
Secured loans	50,000	110,000
Total	24,299,330	16,793,380

(2) As at 31 December 2010, the Group do not have any past due short-term loans.

### 21 Bills payable

Category	2010	2009
	RMB'000	RMB'000
Bank acceptance bills	1,581,011	1,357,201
Commercial acceptance bills	5,000	—
Payment of domestic letter of credit on behalf of others	622,000	—
Total	2,208,011	1,357,201

The bills payable above are due within one year.

### 22 Trade payables

#### (1) Details of trade payables are as follows:

Item	2010	2009
	RMB'000	RMB'000
Payables for coal and oil	1,314,599	1,085,231
Payables for construction, equipment and material	4,120,623	2,553,751
Payables for major overhaul and maintenance	67,059	53,293
Others	29,671	29,093
Total	5,531,952	3,721,368

As at 31 December 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 6.6227 (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.

### 23 Advances from customers

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

Item	2010	2009
	RMB'000	RMB'000
Sales of heat	530,862	65,438
Others	38,465	16,639
Total	569,327	82,077

As at 31 December 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.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 24 Wages payable

Item	Opening balance	Additions for the year	Payments for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
I. Wages, bonuses, allowances and subsidies	151,507	1,051,612	(1,155,845)	47,274
II. Staff welfare	—	130,570	(130,570)	—
III. Social insurances				
Including: 1. Medical insurance	15,369	131,408	(129,957)	16,820
2. Pension insurance	8,775	325,869	(328,197)	6,447
3. Unemployment insurance	3,305	18,191	(19,109)	2,387
4. Work injury insurance	417	8,313	(8,212)	518
5. Maternity insurance	237	5,524	(5,258)	503
6. Supplementary pension insurance	847	89,323	(89,769)	401
IV. Housing fund	4,512	278,841	(275,255)	8,098
V. Termination benefits	13,044	1,193	(3,065)	11,172
VI. Labour union and staff education fund	21,055	62,617	(47,364)	36,308
VII. Others	216	27,994	(27,945)	265
Total	219,284	2,131,455	(2,220,546)	130,193

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

### 25 Taxes payable

Item	2010	2009
	RMB'000	RMB'000
VAT	84,106	116,813
EIT	63,815	24,217
Individual income tax	26,426	20,857
Education surcharge	11,531	19,023
City maintenance and construction tax	17,226	28,743
Land use tax	30,074	37,379
Others	37,157	19,896
Total	270,335	266,928

### 26 Interests payable

Item	2010	2009
	RMB'000	RMB'000
Interests payable for loans	177,294	139,293
Interests payable for debentures	116,445	85,873
Total	293,739	225,166

### 27 Other payables

(1) Details of other payables are as follows:

Item	2010	2009
	RMB'000	RMB'000
Amounts due to China Huadian	79,165	75,190
Amounts due to other related parties	14,907	22,835
Amounts due to third parties	2,837,789	1,885,391
Total	2,931,861	1,983,416

- (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 31 December 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.



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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 28 Short-term debenture payables

Item	Opening balance	Additions for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debenture	3,002,923	3,081,828	(3,075,768)	3,008,983

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

Debenture	Face value	Date of issuance	Maturity period	Interest rate	Issuance amount	Opening balance	Additions for the year	Discount amortisation	Interest accrued for the year	Interest paid for the year	Principle paid for the year	Closing balance
	RMB'000		Days	(%)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The first tranche of 2009 short-term debenture	100	11 November 2009	365	2.98	1,500,000	1,500,889	—	5,195	38,616	(44,700)	(1,500,000)	—
The second tranche of 2009 short-term debenture	100	11 November 2009	270	2.80	1,500,000	1,502,034	—	3,683	25,351	(31,068)	(1,500,000)	—
The first tranche of 2010 short-term debenture	100	1 September 2010	365	2.89	1,500,000	—	1,494,000	2,005	14,490	—	—	1,510,495
The second tranche of 2010 short-term debenture	100	6 December 2010	365	3.80	1,500,000	—	1,494,000	428	4,060	—	—	1,498,488
Total						3,002,923	2,988,000	11,311	82,517	(75,768)	(3,000,000)	3,008,983

As at 31 December 2010, the carrying amount of short-term debenture payables of the Group includes interest payable with the amount of RMB 18,550,000 (2009: RMB 11,801,000).

### 29 Non-current liabilities due within one year

#### (1) Non-current liabilities due within one year by category are as follows:

Item	2010	2009
	RMB'000	RMB'000
Long-term loans due within one year	7,265,405	4,563,896
Long-term payables due within one year	143,427	—
Total	7,408,832	4,563,896

As at 31 December 2010, the foreign currencies included in the balance of long-term loans due within one year amounting to USD 102,233,512 and EUR 1,356,202 (2009: USD 3,246,985 and EUR 1,356,202) at exchange rate 6.6227 and 8.8065 (2009: 6.8282 and 9.7971) respectively.

#### (2) Long-term loans due within one year

Item	2010	2009
	RMB'000	RMB'000
Secured loans	940,375	891,634
Mortgaged loans	124,560	—
Guaranteed loans	43,435	45,271
Unsecured loans	6,157,035	3,626,991
Total	7,265,405	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.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 29 Non-current liabilities due within one year (continued)

#### (2) Long-term loans due within one year (continued)

(a) At 31 December 2010, the top five largest long-term loans due within one year

Debtor	Loan starting date	Loan ending date	Currency	Interest rate	2010
					(%)
1. Bank of China (Hong Kong) Co., Ltd. Qingdao Branch	30 September 2009	29 April 2011	USD	1.80-1.95	662,270
2. SITC	9 November 2009	8 November 2011	RMB	4.59	500,000
3. SITC	28 December 2006	17 December 2011	RMB	5.76	250,000
4. Bohai Bank	25 December 2009	25 December 2011	RMB	5.04	248,000
5. Hebei Electric Power Collective Asset Management Centre (Note 1)	11 March 2009	4 March 2011	RMB	5.04	207,000
Total					1,867,270

Note 1: This represents entrusted loan by Huarui Group Company through Hebei Bank (Shijiazhuang Commercial Bank in Original) in 2009.

(b) As at 31 December 2010, the Group do not have any overdue loans in the balance of long-term loans due within one year.

#### (3) Long-term payables due within one year

As at 31 December 2010, long-term payables due within one year include the payables of principal assumed by the Group as bank loans guarantor and the payables for central heating construction.

### 30 Long-term loans

#### (1) Long-term loans by category

Item	2010	2009
	RMB'000	RMB'000
Unsecured loans	42,372,697	33,050,170
Secured loans	12,474,825	13,556,200
Mortgaged loans	2,004,720	—
Loans guaranteed by third parties	423,011	207,000
Loans guaranteed by China Huadian	132,568	160,767
Loans guaranteed by SEPCO	17,578	29,108
Less: Long-term loans due within one year	7,265,405	4,563,896
Total	50,159,994	42,439,349

As at 31 December 2010, the foreign currencies included in the balance of long-term loans amounting to USD 5,885,414 and EUR 22,830,423 (2009: USD 108,166,061 and EUR 15,053,416) at exchange rate 6.6227 and 8.8065 (2009: 6.8282 and 9.7971) respectively.

#### (2) As at 31 December 2010, the top five largest long-term loans

Debtor	Loan starting date	Loan ending date	Currency	Interest rate	2010	2009
					(%)	RMB'000
1. Syndicated Loans (Note 1)	26 December 2005	26 December 2025	RMB	5.76	3,080,000	3,101,000
2. Syndicated Loans (Note 2)	28 June 2006	18 June 2022	RMB	5.346	2,300,000	2,805,000
3. Syndicated Loans (Note 3)	27 June 2007	26 June 2022	RMB	6.40	2,004,720	—
4. Industrial and Commercial Bank of China Co., Ltd. Hangzhou Chengzhan Subbranch	1 December 2003	31 December 2019	RMB	5.346- 5.526	1,550,000	1,700,000
5. Industrial and Commercial Bank of China Co., Ltd. Guang'an Branch	29 December 2005	29 December 2020	RMB	5.346- 5.76	1,500,000	1,500,000
Total					10,434,720	9,106,000

Note 1: Syndicated Loans above included Bank of China Co., Ltd. Chengdu Development West District Subbranch, China Development Bank Co., Ltd. Sichuan Branch, Industrial and Commercial Bank of China Co., Ltd. Chengdu Zhiqian Subbranch and China Huadian Finance.

Note 2: Syndicated Loans above included China Development Bank Co., Ltd. Beijing Branch, Industrial and Commercial Bank of China Co., Ltd. Anhui Branch, Bank of Communications Co., Ltd. Wuhu Branch, Bank of Communications Co., Ltd. Beijing Branch and China Huadian Finance.

Note 3: Syndicated Loans above included China Development Bank Co., Ltd., Industrial and 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.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 31 Debentures payable

Item	Opening balance	Additions for the year	Payments for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Medium-term notes	2,971,022	2,375,419	—	5,346,441

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

Debenture	Face value	Date of issuance	Maturity period	Interest rate	Issuance amount	Opening balance	Additions for the year	Discount amortisation	Closing balance
	RMB			(%)	RMB'000	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	—	4,496	1,494,556
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	—	4,498	1,485,460
The first tranche of 2010 medium-term notes	100	30 August 2010	From 31 August 2010 to 31 August 2015	3.78	2,400,000	—	2,364,000	2,425	2,366,425
Total						2,971,022	2,364,000	11,419	5,346,441

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

### 32 Long-term payables

Item	2010	2009
	RMB'000	RMB'000
Payables for mining rights	389,287	426,626
Payables for debts	821,680	—
Payables for central heating construction	23,743	—
Total	1,234,710	426,626

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.

### 33 Share capital

	2010	2009
	RMB'000	RMB'000
Share capital	6,771,084	6,771,084

The share capital of the Company included A shares with restriction on disposals amounting to RMB 150,000,000, and shares without restriction on disposals amounting to RMB 6,621,084,200.

### 34 Capital reserve

Item	Opening balance	Additions for the year	Payments for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Share premiums	3,928,299	—	(9,351)	3,918,948
Other capital reserves	329,830	263,650	—	593,480
Total	4,258,129	263,650	(9,351)	4,512,428

Other capital reserves mainly represent government grants as state capital injection and share of an associate's fair value movements of available-for-sale financial assets and share premium, etc. Additions of other capital reserves for the year mainly include heating construction subsidiary fees by municipal finance as state capital injection used in municipal facilities amounting to RMB 65,164,000, financial reward fund for energy-saving technical renovation issued by the Ministry of Finance amounting to RMB 32,255,000 and share of an associate's capital reserve movements amounting to RMB 158,110,000.

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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 35 Surplus reserve

Item	Opening balance	Additions for the year	Closing balance
	RMB'000	RMB'000	RMB'000
Statutory surplus reserve	1,417,924	47,541	1,465,465
Discretionary surplus reserve	68,089	—	68,089
Total	<u>1,486,013</u>	<u>47,541</u>	<u>1,533,554</u>

### 36 Retained profits

Item	Note	Amount	Appropriation rate
		RMB'000	
Opening balance of retained profits before adjustments		3,169,574	
Adjustments of retained profits at the beginning of the period	(1)	<u>16,906</u>	
Adjusted retained profit at the beginning of the period		3,186,480	
Add: Net profit attributable to equity shareholders of the Company		207,844	
Less: Statutory surplus reserve		47,541	10%
Dividends payable on ordinary shares	(2)	<u>236,988</u>	RMB 0.035 per share
Closing balance retained profits	(4)	<u>3,109,795</u>	

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

In accordance with CAS and related new regulations, 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 year

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

#### (3) Dividends of ordinary shares proposed after the balance sheet date

The Board of Directors proposed on 30 March 2011 the appropriation of a cash dividend of RMB Nil per share (2009: RMB 0.035 per share, totalling RMB 236,987,947) to the Company's ordinary shareholders. The proposal is subject to the approval by the Shareholders' Meeting.

#### (4) Retained profits at the end of the year

The consolidated retained profits attributable to the Company included an appropriation of RMB 47,541,000 to surplus reserve made by the subsidiaries for the year (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").

### 37 Operating income and Operating costs

#### (1) Operating income and Operating costs

Item	2010	2009
	RMB'000	RMB'000
Revenue from principal activities	<b>45,197,500</b>	36,449,643
Revenue from other operating activities	<b>251,278</b>	212,177
Operating costs	<b>42,121,006</b>	30,895,331

#### (2) Principal activities (by industry/by product)

Industry/product name	2010		2009	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	<b>43,529,734</b>	<b>39,975,567</b>	35,197,156	29,466,255
Sale of heat	<b>1,667,766</b>	<b>1,977,525</b>	1,252,487	1,271,560
Total	<u><b>45,197,500</b></u>	<u><b>41,953,092</b></u>	<u>36,449,643</u>	<u>30,737,815</u>

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 37 Operating income and Operating costs (continued)

#### (3) Principal activities (by geographical area)

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

#### (4) Operating income from the top five customers in 2010

Customer name	Operating income	Percentage of total operating income
	RMB'000	(%)
1. SEPCO	23,641,671	52.02
2. Sichuan Electric Power Corporation	4,031,653	8.87
3. Henan Electric Power Company	2,994,494	6.59
4. Hebei Electric Power Company	2,644,360	5.82
5. Zhejiang Electric Power Company	2,643,931	5.81
Total	35,956,109	79.11

### 38 Sales taxes and surcharges

Item	2010	2009	Taxation basis and rates
	RMB'000	RMB'000	
City maintenance and construction tax	110,940	152,578	1-7% of VAT payable
Education surcharge	75,496	95,140	3-5% of VAT payable
Total	186,436	247,718	

### 39 General and Administrative Expenses

General and administrative expenses mainly include emission fee, entertainment fee, coal management fee occurred after entering into plants, professional fee, transportation fee and other general and administrative expenses.

### 40 Finance expenses

Item	2010	2009
	RMB'000	RMB'000
Interest expenses from loans and payables	4,129,910	3,601,091
Less: Borrowing costs capitalised	732,612	644,781
Interest income from deposits and receivables	(26,532)	(22,961)
Net exchange (gains)/losses	(86,214)	1,435
Other finance expenses	4,337	13,679
Total	3,288,889	2,948,463

### 41 Investment income

#### (1) Investment income by item

Item	Note	2010	2009
		RMB'000	RMB'000
Income from long-term equity investments under cost method	(2)	—	23,740
Income from long-term equity investments under equity method	(3)	328,230	216,844
Investment income from disposal of long-term equity investments	(4)	457,274	—
Investment income from the remeasurement to fair value of previously-held equity interest before step acquisition	V. 6(3)	59,029	—
Investment income from holding available-for-sale financial assets		1,678	1,248
Total		846,211	241,832

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 41 Investment income (continued)

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

Investee	2010	2009	Reason for movements for the year
	RMB'000	RMB'000	
Luneng Heze Company	—	12,270	Under cost method, investment income is recognised
Fuxing Fuel	—	10,800	Under cost method, investment income is recognised

(3) Investment income/(loss) from long-term equity investments under equity method, individual of which is more than 5% of total profits or lower than 5% of total profits, are as follows:

Investee	2010	2009	Reason for movements for the year
	RMB'000	RMB'000	
Huadian Coal	128,196	43,014	Profit or loss from normal operations
Ningxia Power Company	116,508	53,760	Profit or loss from normal operations
Chizhou Company	(111,275)	(49,389)	Profit or loss from normal operations
Fucheng Mining Company	74,631	—	Profit or loss from normal operations
Shijiazhuang Heat Company	(45,998)	8,141	Profit or loss from normal operations
China Huadian Finance	38,949	43,220	Profit or loss from normal operations
Luzhou Company	(37,270)	(22,434)	Profit or loss from normal operations
Xibaipo Company	34,017	29,815	Profit or loss from normal operations
Changcheng Mine Company	33,569	—	Profit or loss from normal operations
Dongsheng Company	24,421	16,149	Profit or loss from normal operations
Ningdong Railway Company	18,351	—	Profit or loss from normal operations
Huaian Company	17,105	21,109	Profit or loss from normal operations
Hengxing Company	16,852	30,478	Profit or loss from normal operations

(4) Investment income from disposal of long-term equity investments

The investment income is mainly from disposal of long-term equity investments in parts of associates and other investments. On 29 November 2010, the Company listed 3.3% equity interest in Huadian Coal, 2.46% equity interest in Fuxin Energy and 10% equity interest in CHD operation on Shanghai United Assets And Equity Exchange for disposal with the price of RMB 462,000,000, RMB 254,610,000 and RMB 5,346,000 respectively, all of the above transactions were completed on 31 December 2010. At the acquisition date, the carrying amount of the above equity interests was RMB 271,803,000, and the above transactions resulted in investment income total RMB 450,153,000 to the Company.

### 42 (Reversal)/loss of impairment

Item	2010	2009
	RMB'000	RMB'000
I. (Reversal)/loss for bad and doubtful debts		
Trade receivables	(12,723)	—
Other receivables	(1,633)	1,905
II. Reversal for diminution in value of inventories	(183)	(283)
Total	(14,539)	1,622

### 43 Non-operating income

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

Item	Note	2010	2009	Amount recognized in extraordinary gain and loss
		RMB'000	RMB'000	
Gains on disposal of fixed assets		48,754	4,464	48,754
Government grants	(2)	128,296	50,658	118,199
CERs income		30,195	—	—
Gains from acquisition of Shijiazhuang Heat Entities at nil consideration	IV. 6(3)	621,196	—	621,196
Others		24,949	21,485	24,949
Total		853,390	76,607	813,098

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 43 Non-operating income (continued)

#### (2) Details of government grants

Item	2010	2009
	RMB'000	RMB'000
VAT refunding of wind and stalk power generation (Note 1)	10,097	7,531
VAT refunding of sale of heat (Note 2)	23,580	12,734
Grants of eliminating backward production facilities	1,620	11,030
Grants of sale of heat	42,819	10,512
Grants of sale of electricity	5,643	—
Interest subsidies	29,917	4,884
Others	14,620	3,967
Total	<b>128,296</b>	<b>50,658</b>

Note 1: According to Notice of VAT Policy for Comprehensive Utilisation of Resources and Other Products (Cai Shui [2008] No.156) issued by the Ministry of Finance and the State Administration of Taxation, the Group's wind and stalk power generation earned the VAT refund policies.

Note 2: According to Notice of continue implementing the preferential taxation policies on VAT, Property Tax and the Urban Land Use Tax (Cai Shui [2009] No.11) issued by the Ministry of Finance and the State Administration of Taxation, the Group's revenue from sale of heat from 2009 to 2010 earned the VAT refund policies.

### 44 Non-operating expenses

Item	2010	2009	Amount recognized in extraordinary gain and loss
	RMB'000	RMB'000	
Losses on disposal of fixed assets	2,549	7,437	2,549
Donations	1,215	4,730	1,215
CERs expenses	1,467	—	—
Others	4,197	6,183	4,197
Total	<b>9,428</b>	<b>18,350</b>	<b>7,961</b>

### 45 Income tax

Item	Note	2010	2009
		RMB'000	RMB'000
Income tax for the year based on tax law and corresponding regulations		137,734	113,847
Deferred taxation adjustments	(1)	(11,694)	(8,820)
Under-provision for income tax in respect of preceding year		477	2,969
Total		<b>126,517</b>	<b>107,996</b>

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

Item	2010	2009
	RMB'000	RMB'000
Origination and reversal of temporary differences	<b>(11,694)</b>	<b>(8,820)</b>

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

Item	2010	2009
	RMB'000	RMB'000
Profit before taxation	232,729	1,700,909
Expected income tax at a tax rate of 25%	58,182	425,227
Add: Non-deductible expenses	77,524	48,021
Non-taxable income	(199,184)	(83,841)
Effect of preferential tax rate of subsidiaries on income tax	(86,933)	(35,105)
Under-provision in respect of preceding year	477	2,969
Tax losses	276,451	(249,275)
Income tax	<b>126,517</b>	<b>107,996</b>

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 46 Calculation of basic earnings per share and diluted earnings per share

#### (1) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit of the Company attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding

	2010	2009
Consolidated net profit of the Company attributable to ordinary shareholders (RMB'000)	207,844	1,150,580
Weighted average number of ordinary shares outstanding ('000 share)	6,771,084	6,083,584
Basic earnings per share (RMB)	0.031	0.189

Calculation of weighted average number of ordinary shares is as follows:

	2010	2009
	'000 share	'000 share
Issued ordinary shares at 1 January	6,771,084	6,021,084
Effect of shares issued	—	62,500
Weighted average number of ordinary shares at 31 December	6,771,084	6,083,584

#### (2) Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the year ended 31 December 2010, therefore the diluted earnings per share is the same as the basic earnings per share.

### 47 Other comprehensive income

Item	2010	2009
	RMB'000	RMB'000
(Loss)/gains arising from available-for-sale financial assets	(21,126)	46,515
Reclassification adjustments for amounts transferred to profit or loss		
— Gain on disposal	(338)	—
— Share of an associate's (gains)/losses on disposal	(545)	1,021
— Disposal of equity interest in an associate	(562)	—
Tax benefit/(expense)	5,846	(7,185)
Total	(16,725)	40,351

### 48 Notes to cash flow statement

#### (1) Other cash received relating to operating activities

Item	Amount
	RMB'000
Cash received relating to other operating activities	223,267
Others	139,005
Total	362,272

#### (2) Other cash paid relating to operating activities

Item	Amount
	RMB'000
Cash paid relating to administration expenses	879,802
Others	146,406
Total	1,026,208

#### (3) Other cash received relating to investing activities

Item	Amount
	RMB'000
Interest income	22,259
Others	4,724
Total	26,983



# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 48 Notes to cash flow statement (continued)

#### (4) Other cash paid relating to investing activities

Item	Amount
	RMB'000
Acquisition of minority interests	45,854
Others	3,113
Total	48,967

#### (5) Other cash received relating to financing activities

Item	Amount
	RMB'000
Cash received relating to bills financing	922,081
Government grants	236,735
Total	1,158,816

#### (6) Other cash paid relating to financing activities

Item	Amount
	RMB'000
Cash paid relating to bills financing expenses	65,071
Cash repaid relating to bills financing	644,184
Others	13,268
Total	722,523

### 49 Information of cash flow statement

#### (1) Supplement to cash flow statement

Supplement	2010	2009
	RMB'000	RMB'000
<b>1. Reconciliation of net profit to cash flow from operating activities:</b>		
<b>Net profit</b>	<b>106,212</b>	1,592,913
Add: (Reversal)/loss of impairment provisions for assets	<b>(14,539)</b>	1,622
Depreciation of fixed assets	<b>4,516,559</b>	4,043,021
Amortisation of intangible assets	<b>131,248</b>	36,292
(Gains)/losses on disposal of fixed assets	<b>(46,205)</b>	2,973
Finance expenses	<b>3,288,889</b>	2,948,463
Gains arising from investments	<b>(846,211)</b>	(241,832)
Gains from acquisition of Shijiazhuang Heat Entities at nil consideration	<b>(621,196)</b>	—
Decrease/(increase) in deferred tax assets	<b>7,838</b>	(15,839)
(Decrease)/increase in deferred tax liabilities	<b>(19,532)</b>	7,019
(Increase)/decrease in gross inventories	<b>(264,018)</b>	466,670
Increase in operating receivables	<b>(531,884)</b>	(1,819,190)
Increase/(decrease) in operating payables	<b>351,561</b>	(354,261)
Net cash flow from operating activities	<b>6,058,722</b>	6,667,851
<b>2. Change in cash and cash equivalents:</b>		
Cash at the end of the year	<b>1,235,758</b>	1,241,900
Less: Cash at the beginning of the year	<b>1,241,900</b>	1,869,305
Net decrease in cash and cash equivalents	<b>(6,142)</b>	(627,405)

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
(Express in Renminbi'000)

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 49 Information of cash flow statement (continued)

#### (2) Information on acquisition of subsidiaries during the year

Item	2010	2009
	RMB'000	RMB'000
<b>1. Consideration of acquisition</b>	<b>2,705,075</b>	1,527,953
<b>2. Cash and cash equivalents paid for acquiring subsidiaries</b>	<b>2,478,369</b>	1,309,253
Add: Cash and cash equivalents paid for last year acquiring subsidiaries in current year	218,700	1,490,585
Expenditure paid for acquiring subsidiaries	7,470	—
Less: Cash and cash equivalents paid for current year acquiring subsidiaries in last year	30,000	—
Cash and cash equivalents held by subsidiaries	473,714	195,286
<b>3. Net cash paid for the acquisition</b>	<b>2,200,825</b>	2,604,552
<b>4. Non-cash assets and liabilities held by the acquired subsidiaries</b>		
Current assets	1,038,547	202,710
Non-current assets	6,655,116	3,844,551
Current liabilities	(2,867,795)	(1,922,984)
Non-current liabilities	(5,197,835)	(420,846)

#### (3) Details of cash and cash equivalents

Item	2010	2009
	RMB'000	RMB'000
<b>1. Cash at bank and on hand</b>		
Including: Cash on hand	2,155	1,862
Bank deposits available on demand	1,231,710	1,238,234
Other monetary fund available on demand	1,893	1,804
<b>2. Closing balance of cash and cash equivalents</b>	<b>1,235,758</b>	1,241,900

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

## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

### 1 Parent of the Company

Company name	Related party relationship	Type	Registered place	Legal representative	Business nature	Registered capital	Percentage of equity interest to the Company	Percentage of voting right to the Company	Organisation code
						RMB'000	(%)	(%)	
China Huadian	Ultimate controlling party	State-owned enterprise	Beijing, the PRC	Yun Gongmin	Development, construction and operation management of electricity related business, organisation of production and sale of electricity and heat	12,000,000	47.21 (Note)	47.21	71093107-X

Note: This included 1.27% equity interest, 85,862,000 shares of H shares, which were held through China Huadian Hong Kong Co., Ltd. (a wholly owned subsidiary of China Huadian).

### 2 Please refer to Note IV. 1 for the information related to subsidiaries of the Company.

### 3 Please refer to Note V. 10 for information related to jointly controlled entity and associates of the Company.

### 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
Huadian Engineering and its subsidiaries	Controlled by China Huadian	10001149-5
CHD Operation	Controlled by China Huadian	71093481-X
Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Company")	Controlled by China Huadian	80144508-5
Huadian Technology & Trade Co., Ltd. ("Huadian Technology & Trade")	Controlled by China Huadian	71092444-3
Huadian Tendering Co., Ltd. ("Huadian Tendering")	Controlled by China Huadian	71093130-1
China Huadian Group Capital Holdings Limited ("CHD Capital")	Controlled by China Huadian	71093480-1

# Notes to the Financial Statements

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## 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) Table of related party transactions concerning sale and purchase of goods, rendering of or receiving services

##### The Group

Related party	Type of related party transaction	2010		2009	
		Amount	Percentage on the same deals	Amount	Percentage on the same deals
		RMB'000	(%)	RMB'000	(%)
Huadian Engineering and its subsidiaries	Construction expenses and Equipment expenses (Note 1)	148,246	1.08	194,526	1.54
China Huadian, SITC, China Huadian Finance, CHD Capital, Huadian Tendering and CHD Operation	Interest expense (Note 1)	465,869	12.00	358,958	10.58
CHD Capital	Agency fees (Note 1)	1,510	100.00	800	100.00
Huadian Coal	Coal services fees (Note 1)	60,950	100.00	54,632	100.00
Ningdong Railway Company	Fuel transportation fees (Note 1)	18,826	0.65	—	—
Huadian Technology & Trade	Property management services fees (Note 1)	7,059	28.09	5,295	22.75
Hengxing Company, Guotai Company, Xibaipo Company, Xiangtai Company	Purchase of electricity (Note 1)	327,235	36.20	275,129	35.07
Huacheng Company, Xiangtai Company	Sale of electricity rights (Note 1)	186,390	18.01	169,393	17.98
Shijiazhuang Heat Company and its subsidiaries	Sale of heat (Note 1)	756,618	45.37	664,378	53.04
China Huadian Finance and Linfen Changfa Company	Interest income (Note 1)	15,664	59.04	13,543	58.98
Key management personnel	Payment of remuneration	6,755	0.32	6,646	0.35

##### The Company

Related party	Type of related party transaction	2010		2009	
		Amount	Percentage on the same deals	Amount	Percentage on the same deals
		RMB'000	(%)	RMB'000	(%)
China Huadian, SITC, China Huadian Finance, CHD Capital and Materials Company	Interest expense (Note 1)	159,871	29.95	87,720	20.45
CHD Capital	Agency fees (Note 1)	200	100.00	200	100.00
Huadian Technology & Trade	Property management services fees (Note 1)	7,059	100.00	5,295	100.00
China Huadian Finance and Shantou Company	Interest income (Note 1)	1,051	24.23	675	10.66
Key management personnel	Payment of remuneration	6,755	1.24	6,646	1.19

Note 1: The pricing of the related party transactions mentioned above is based on the market price and the principal of fair consultation.

#### (2) Related party lease

##### Table of transactions concerning leasing in

##### The Group and the Company

Lessor name	Lessee name	Assets leased	Lease starting date	Lease ending date	Rationale for justifying lease expense	Lease expenses recognized in 2010
						RMB'000
Anfu Company	The Company	China Huadian Building	1 April 2009	31 March 2012	Trustee area	49,001

# Notes to the Financial Statements

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## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 5 Transactions with related parties (continued)

#### (3) As at 31 December 2010, related party guaranty of the Group and the Company

##### The Group

Guarantor	Guarantee	Amount of guaranty	Guaranty starting date	Guaranty ending date	Guaranty completed (Y/N)
		RMB'000			
Guaranty provided Guang'an Company	Sichuan Huayingshan Longtan Coal Power Company Limited ("Longtan Coal Company")	175,457	9 January 2006	14 April 2022	N
Guaranty received China Huadian	Banshan Company	132,568	25 June 2004	30 May 2022	N

##### The Company

Guarantor	Guarantee	Amount of guaranty	Guaranty starting date	Guaranty ending date	Guaranty completed (Y/N)
		RMB'000			
Guaranty provided					
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	30,000	13 March 2009	12 February 2023	N
The Company	Kailu Wind Power Company	430,000	31 May 2009	9 August 2026	N
The Company	Suzhou Company	97,000	29 December 2009	19 August 2019	N
The Company	Kailu Wind Power Company	400,000	27 September 2011	27 September 2022	N
The Company	Maohua Company	290,000	30 July 2013	29 July 2015	N

#### (4) Related party borrowing and refunding

##### The Group

Related party	Borrowing Amount	Refunding Amount
	RMB'000	RMB'000
China Huadian	103,917	61,500
SITC	1,490,000	1,884,913
China Huadian Finance	7,595,000	3,654,539
CHD Operation	30,000	30,000
CHD Capital	1,000,000	1,000,000
Huadian Tendering	50,000	50,000
Total	10,268,917	6,680,952

##### The Company

Related party	Borrowing Amount	Refunding Amount
	RMB'000	RMB'000
China Huadian	77,131	—
SITC	1,250,000	1,009,310
China Huadian Finance	3,050,000	1,300,000
CHD Capital	350,000	350,000
Materials Company	50,000	50,000
Total	4,777,131	2,709,310

#### (5) Related party transferring of equity interests

##### The Group and the Company

Related party	Content of related party transaction	2010		2009	
		Consideration	Percentage on the same deals	Amount	Percentage on the same deals
		RMB'000	(%)	RMB'000	(%)
China Huadian	Sales of equity interest	721,956	98.40	—	—

# Notes to the Financial Statements

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## VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS (CONTINUED)

### 6 Related party receivables, payables, loans and deposits

#### The Group

Item	Related party	2010	2009
		RMB'000	RMB'000
Related party receivables			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	91,760	46,271
Prepayments for fuel transportation	Ningdong Railway Company	1,007	—
Entrusted loans	Linfen Changfa Company	48,068	—
Deposit	China Huadian Finance	604,821	582,758
Trade receivables for sales of electricity rights	Huacheng Company and Xiangtai Company	11,584	9,096
Related party payables			
Other payables for acquirement of subsidiaries	China Huadian	(79,165)	(75,190)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(51,628)	(45,334)
Trade Payables for coal services fees	Huadian Coal	(1,115)	—
Loans from shareholders	China Huadian and SITC	(3,371,375)	(3,723,871)
Other Loans	China Huadian Finance, Huadian Tendering and CHD Operation	(8,198,217)	(4,257,756)
Trade Payables for purchase of electricity	Hengxing Company, Xibaipo Company, Xiangtai Company and Guotai Company	—	(1,301)

#### The Company

Item	Related party	2010	2009
		RMB'000	RMB'000
Related party receivables			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	178	178
Entrusted loans	Shantou Company	55,365	—
Deposits	China Huadian Finance	30,478	17,131
Prepayments for purchase of materials	Material Company	800	506,213
Related party payables			
Other payables	China Huadian	(78,965)	(70,090)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(54)	(111)
Loans from shareholders	China Huadian and SITC	(2,115,920)	(1,798,099)
Other Loans	China Huadian and Material Company Finance	(2,500,000)	(750,000)
Prepayments/ (advances) for purchase of fuel	The Company's subsidiaries	375,093	(60,352)

## VII. CONTINGENCIES

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

At 31 December 2010, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB 175,457,000 (2009: RMB 189,407,000).

At 31 December 2010, Xijiao Heat Company, a subsidiary of the Company, provided guarantees to banks for loans granted to Shijiazhuang Guangming Zhengda Daily-used Chemical Products Company Limited amounting to RMB 23,000,000 (2009: RMB nil).

## VIII. SIGNIFICANT COMMITMENTS

### 1 Capital commitments

Item	2010	2009
	RMB'000	RMB'000
Investment contracts entered into but not performed or performed partially	615,000	2,565,499
Construction contracts entered into but not performed or performed partially	13,169,436	11,354,182
Construction contracts authorised but not contracted	14,737,261	16,821,398
Total	28,521,697	30,741,079

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

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## 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 31 December are as follows:

Item	2010	2009
	RMB'000	RMB'000
Within one year (including one year)	79,937	78,525
Between one and two years (including two years)	43,102	77,581
Between two and three years (including three years)	29,869	40,830
Over three years	390,794	419,174
Total	543,702	616,110

## IX. POST BALANCE SHEET EVENTS

As at 30 March 2011, the Group has no material post balance sheet events to disclosure.

## 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. 37. 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. 37 and Note X. 2(1).

### 2 Risk analysis, sensitivity analysis, and fair values for financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department 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. In respect of other receivables, the Group performed individual credit evaluations on customers' financial status regularly to monitor credit risk. Provision for bad and doubtful debts meets management's expectation.

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

Ageing	2010	2009
	RMB'000	RMB'000
Not past due	3,689,343	3,233,467
Past due within three months (including three months)	50,635	8,883
Past due three to six months (including six months)	42,631	3,241
Past due six months to one year (including one year)	72,376	8,446
Past due over one year	2,493	—
Total	3,857,478	3,254,037

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 69% (2009: 79%) of the total trade receivables and other receivables were due from the five largest customers of the Group. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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.

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

#### (2) Liquidity risk

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

At the balance sheet date, rest of contractual term and the earliest payment date required of the contractual cash flows belonging to the Group's financial assets and liabilities which have not been discounted, including interests calculated on contractual interest rate (if the interest rate is float, the actual interest rate as at 31 December is adopted) are as follows:

Item	2010 Contractual undiscounted cash flow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Financial assets</b>	<b>1,266,436</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,266,436</b>	<b>1,266,436</b>
Cash at bank and on hand	—	—	—	—	—	—
Receivables	4,583,720	—	—	—	4,583,720	4,581,383
Available-for- sale financial assets	42,906	—	—	—	42,906	42,906
Long-term receivables	4,032	4,032	72,425	—	80,489	68,393
Sub-total	5,897,094	4,032	72,425	—	5,973,551	5,959,118
<b>Financial liabilities</b>	<b>(24,890,017)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(24,890,017)</b>	<b>(24,299,330)</b>
Short-term loans	(3,100,350)	—	—	—	(3,100,350)	(3,008,983)
Short-term debenture payables	—	—	—	—	—	—
Long-term loans (including due within one year)	(10,169,406)	(11,173,517)	(22,499,840)	(32,245,867)	(76,088,630)	(57,425,399)
Debentures payable	(200,172)	(1,700,474)	(4,289,913)	—	(6,190,559)	(5,346,441)
Payables	(11,105,218)	—	—	—	(11,105,218)	(11,103,420)
Long-term payables (including due within one year)	(143,427)	(456,380)	(778,330)	—	(1,378,137)	(1,378,137)
Sub-total	(49,608,590)	(13,330,371)	(27,568,083)	(32,245,867)	(122,752,911)	(102,561,710)
Total	(43,711,496)	(13,326,339)	(27,495,658)	(32,245,867)	(116,779,360)	(96,602,592)

Item	2009 Contractual undiscounted cash flow					Balance sheet carrying amount
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
<b>Financial assets</b>	<b>1,243,806</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,243,806</b>	<b>1,243,806</b>
Cash at bank and on hand	3,825,322	—	—	—	3,825,322	3,825,217
Receivables	58,288	—	—	—	58,288	58,288
Available-for- sale financial assets	—	—	—	—	—	—
Sub-total	5,127,416	—	—	—	5,127,416	5,127,311
<b>Financial liabilities</b>	<b>(17,158,977)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(17,158,977)</b>	<b>(16,793,380)</b>
Short-term loans	(3,076,821)	—	—	—	(3,076,821)	(3,002,923)
Short-term debenture payables	—	—	—	—	—	—
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)	(72,576,320)

The Group settles the short-term liquidity risk related to the maturity of the loan through financing RMB 7,556,268,000 after the balance sheet date up to 28 February 2011.

# Notes to the Financial Statements

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## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and 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 31 December, the Group held the following interest-bearing financial instruments:

Item	2010		2009	
	Annual interest rate	Amount	Annual interest rate	Amount
	(%)	RMB'000	(%)	RMB'000
Fixed rate instruments				
Financial assets				
— Other receivables	2.50-5.40	68,068	5.35	8,000
— Long-term receivables	5.76	68,393	—	—
Financial liabilities				
— Short-term loans	4.37-5.56	(18,419,210)	3.40-5.62	(9,631,823)
— Long-term loans (including due within one year)	2.25-5.40	(2,879,084)	2.25-7.30	(2,223,328)
— Short-term debenture payables	2.89-3.80	(3,008,983)	2.80-2.98	(3,002,923)
— Debentures payable	3.38-3.96	(5,346,441)	3.38-3.96	(2,971,022)
Total		(29,517,257)		(17,821,096)

Item	2010		2009	
	Annual interest rate	Amount	Annual interest rate	Amount
	(%)	RMB'000	(%)	RMB'000
Floating rate instruments				
Financial assets				
— Cash at bank and on hand	0.36-2.20	1,266,436	0.36-1.17	1,243,806
Financial liabilities				
— Short-term loans	2.50-5.81	(5,880,120)	1.77-4.78	(7,161,557)
— Long-term loans (including due within one year)	0.98-6.40	(54,546,315)	1.36-5.94	(44,779,917)
— Other payables	5.23	(77,655)	4.59	(218,700)
Total		(59,237,654)		(50,916,368)

(b) Sensitivity analysis

As at 31 December 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 488,163,000 (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.

#### (4) Foreign currency risk

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

(a) The Group's exposure as at 31 December to currency risk arising from recognised major assets or liabilities denominated in foreign currencies is as follows. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

Item	2010		2009	
	USD	EUR	USD	EUR
	RMB'000	RMB'000	RMB'000	RMB'000
Short-term loans	(649,120)	—	(444,782)	—
Long-term loans				
(including due within one year)	(716,039)	(212,999)	(760,751)	(160,767)
Trade payables	(4,667)	—	(5,697)	—
Net balance sheet exposure	(1,369,826)	(212,999)	(1,211,230)	(160,767)



# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and 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	
	2010	2009	2010	2009
USD	6.7695	6.8314	6.6227	6.8282
EUR	8.9725	9.7281	8.8065	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 31 December would have increased equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the balance sheet date.

Item	Shareholders' equity	Net profit
	RMB'000	RMB'000
<b>As at 31 December 2010</b>		
USD	102,737	102,737
EUR	15,975	15,975
<b>Total</b>	<b>118,712</b>	<b>118,712</b>
<b>As at 31 December 2009</b>		
USD	90,842	90,842
EUR	12,058	12,058
<b>Total</b>	<b>102,900</b>	<b>102,900</b>

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

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2009.

#### (5) Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December 2010 across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets		Level I	Level II	Level III	Total
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	V. 8	42,906	—	—	42,906

During the year ended 31 December 2010, there were no significant transfers between instruments in Level 1 and Level 2.

During the year ended 31 December 2010, there were no changes in valuation technique of fair value.

(b) All financial assets and liabilities are carried at amounts not materially different from their fair values as at 31 December.

# Notes to the Financial Statements

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## X. OTHER MATERIAL EVENTS (CONTINUED)

### 2 Risk analysis, sensitivity analysis, and fair values for financial instruments (continued)

#### (6) Estimation and assumption of fair values

The following summarises the major methods and assumptions used in estimating the fair values of available-for-sale financial assets and items set out in Note X 2(5) above that measured at fair value on the balance sheet date.

(a) Available-for-sale financial assets

Fair value is based on quoted market prices at the balance sheet date for available-for-sale financial assets if there is an active market.

(b) Receivables

The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

(c) Loans, debentures payable and long-term payables

The fair value of loans, debentures payable and long-term payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

(d) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(e) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are based on the market interest rate and the interbank debenture market maturity yield at the balance sheet date plus an adequate credit spread and are as follows:

Item	2010 Interest rate adopted (%)	2009 Interest rate adopted (%)
Long-term receivables	5.76	—
Long-term loans (including due within one year)	5.27-5.76	4.86-5.35
Debentures payable	3.83-4.31	3.93-5.00

### 3 Assets at fair value

Item	Opening balance	Additions from acquisition	Increase for the year	Changes in fair value for the period	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	58,288	6,713	4,208	(23,302)	(3,001)	42,906

## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

### 1 Trade receivables

#### (1) Trade receivables by customer type:

Ageing	2010	2009
	RMB'000	RMB'000
1. Trade receivables for sale of electricity	662,257	550,287
2. Trade receivables for sale of heat	5,338	—
Sub-total	667,595	550,287
Less: Provision for bad and doubtful debts	—	—
Total	667,595	550,287

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
(Express in Renminbi'000)

## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 1 Trade receivables (continued)

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

Ageing	2010	2009
	RMB'000	RMB'000
Within one year (including one year)	<b>667,595</b>	550,287

#### (3) Accounts receivable by category:

Category	Note	2010				2009			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(4)	662,257	99.20	—	—	543,110	98.70	—	—
Other insignificant trade receivables	(4)	5,338	0.80	—	—	7,177	1.30	—	—
Total		<b>667,595</b>	<b>100.00</b>	<b>—</b>	<b>—</b>	<b>550,287</b>	<b>100.00</b>	<b>—</b>	<b>—</b>

#### (4) The Company does not make provision for bad and doubtful debts on trade receivables.

#### (5) The Company does not actually write-off any trade receivables during the year.

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

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total trade receivables
				(%)
		RMB'000		(%)
1. SEPCO	Third party	662,257	Within one year	99.20
2. Zaozhuang Heat Corporation	Third party	5,338	Within one year	0.80
Total		<b>667,595</b>		<b>100.00</b>

#### (7) 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.

#### (8) The Company does not derecognize of any accounts receivable due to transfer of financial assets during the year.

#### (9) The Company does not securitize accounts receivable, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

### 2 Other receivables

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

Ageing	2010	2009
	RMB'000	RMB'000
Within one year (including one year)	<b>2,127,738</b>	606,102
Between one and two years (including two years)	<b>509,735</b>	22,586
Between two and three years (including three years)	<b>13,170</b>	124
Over three years	<b>3,102</b>	3,081
Sub-total	<b>2,653,745</b>	631,893
Less: Provision for bad and doubtful debts	<b>2,709</b>	4,491
Total	<b>2,651,036</b>	627,402

The ageing is counted starting from the date other receivables is recognized.

# Notes to the Financial Statements

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## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 2 Other receivables (continued)

#### (2) Other receivables by category

Category	2010				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	2,583,279	97.34	2,266	0.09	619,976	98.11	4,227	0.68
Other insignificant other receivables	70,466	2.66	443	0.63	11,917	1.89	264	2.22
Total	<u>2,653,745</u>	<u>100.00</u>	<u>2,709</u>		<u>631,893</u>	<u>100.00</u>	<u>4,491</u>	

The Company does not hold any collateral over the other receivables which are impaired.

#### (3) Reversal and recovery of provision for bad and doubtful debts during the year

Bad debts for which a provision was made before the current reporting period being recovered during the year are as follows:

Other receivables	Reason for original provision	Accumulated provision for bad and doubtful debts before recovery	Amount of recovery
		RMB'000	RMB'000
Disposal of assets	Long ageing	<u>1,961</u>	<u>1,961</u>

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

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

Other receivables	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		(%)
1. Amounts due from subsidiaries	Subsidiary	2,581,763	Within one year	97.29
2. Amounts due from disposal of assets	Third party	50,000	Within one year	1.88
Total		<u>2,631,763</u>		<u>99.17</u>

#### (6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the closing balance of other receivables.

#### (7) Except amounts due from subsidiaries mentioned above in (5), there was no amount due from related parties of the Company in the closing balance of other receivables.

#### (8) The Company does not derecognize of any other receivables due to transfer of financial assets during the year.

#### (9) The Company does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

### 3 Long-term receivables

Long-term receivables represent the fair value of debts assigned, which was resulted from transferring of certain interests in debts due from Shijiazhuang Heat Entities owned by Energy Investment Center to the Company. On 25 December 2010, the Company entered into a debt transfer agreement with Energy Investment Center, pursuant to which, Energy Investment Center will transfer its certain interests in debts due from Shijiazhuang Heat Company, Yuhua Heat Company, Xijiao Heat Company, Yuxi Heat Company, Beicheng Heat Company and Shiguang Heat Company to the Company, see Note IV. 6(3) for details.

# Notes to the Financial Statements

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## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 4 Long-term equity investments

#### (1) Long-term equity investments by category:

Ageing	2010	2009
	RMB'000	RMB'000
Investments in subsidiaries	20,182,452	16,324,420
Investments in joint ventures	227,237	221,799
Investments in associates	7,048,064	2,277,551
Other long-term equity investments	160,309	460,309
Total	27,618,062	19,284,079

#### (2) An analysis of the movements of long-term equity investments for the year is as follows:

Investee name	Investment costs	Opening balance	Movement of additions and deductions		Shareholding percentage	Voting rights	Cash dividends for the year
			RMB'000	RMB'000			
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method-subsiidiaries							
Guang'an Company	1,267,577	1,267,577	—	1,267,577	80	80	—
Qingdao Company	345,668	345,668	—	345,668	55	55	—
Weifang Company	823,483	823,483	—	823,483	45	45	—
Zibo Thermal Power Company	374,800	374,800	—	374,800	100	100	—
Zhangqiu Company	617,077	617,077	—	617,077	87.50	87.50	—
Tengzhou Thermal Power Company	424,400	424,400	—	424,400	93.26	93.26	—
Xinxiang Company	372,100	372,100	—	372,100	90	90	—
Suzhou Company	829,267	818,017	11,250	829,267	97	97	—
Lingwu Company	1,332,655	1,262,496	70,159	1,332,655	65	65	70,159
Luding Hydropower Company	1,266,090	1,266,090	—	1,266,090	100	100	—
Wuhu Company	644,046	348,046	296,000	644,046	65	65	—
Zouxian Company	2,070,000	2,070,000	—	2,070,000	69	69	—
Luoke Company	475,300	475,300	—	475,300	75	75	—
Kailu Wind Power Company	797,128	797,128	—	797,128	100	100	—
Shijiazhuang Thermal Power Company	908,511	908,511	—	908,511	82	82	28,050
Banshan Company	386,724	386,724	—	386,724	64	64	—
Zagunao Hydroelectric Company	495,382	449,529	45,853	495,382	64	64	—
Maohua Company	1,547,000	1,547,000	—	1,547,000	100	100	—
Guyuan Wind Power Company	336,100	336,100	—	336,100	100	100	—
Huarui Group Company	966,895	966,895	—	966,895	100	100	—
Qudong Company	201,740	151,740	50,000	201,740	90	90	—
Lu'an Company	99,180	—	99,180	99,180	95	95	—
Century Power Company	2,120,369	—	2,120,369	2,120,369	84.31	84.31	—
Pingshi Power Company (Note 1)	684,706	—	684,706	684,706	100	100	—
Zoucheng Heat Company	56,000	—	56,000	56,000	70	70	—
Shantou Company	15,300	—	15,300	15,300	51	51	—
Yuellangshan Wind Power Company	35,000	—	35,000	35,000	100	100	—
Shaoguan Thermal Power Company	20,000	—	20,000	20,000	100	100	—
Luhua Thermal Power Company	283,475	—	283,475	283,475	90	90	—
Other subsidiaries	386,479	315,739	70,740	386,479			36,989
Total	20,182,452	16,324,420	3,858,032	20,182,452			135,198

Note 1: According to the pledge contract signed between China Agriculture Bank Company 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.

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 4 Long-term equity investments (continued)

#### (2) An analysis of the movements of long-term equity investments for the year is as follows: (continued)

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Adjustments under equity method		Cash dividends for the year	Closing balance	Shareholding percentage	Voting rights
				Gains/(losses) in investment	Transfer of capital reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)
<b>Equity method-joint ventures</b>									
Zhongning Company	142,800	221,799	—	5,438	—	—	227,237	50	50
<b>Equity method-Associates</b>									
Ningxia Power Company	630,000	392,681	350,000	116,508	158,086	—	1,017,275	23.66	23.66
Chizhou Company	258,940	111,275	—	(111,275)	—	—	—	40	40
Huadian Property	290,000	286,974	—	(5,633)	—	—	281,341	20	20
Luzhou Company	344,000	131,121	—	(37,270)	—	—	93,851	40	40
Huadian Coal	516,900	395,129	84,618	120,523	—	—	600,270	16.89	16.89
China Huadian Finance	796,533	390,926	499,985	31,989	891	(22,748)	901,043	14.93	14.93
Huadian New Energy	139,605	143,233	(149,521)	7,953	—	(1,665)	—	—	—
Changcheng Mine Company	452,612	109,050	343,562	33,569	—	—	486,181	35	35
Fucheng Mining Company	498,042	309,042	189,000	74,631	—	—	572,673	35	35
Ningdong Railway Company	300,000	—	300,000	18,351	24	—	318,375	10	10
Quanhui Trading	938,834	—	938,834	—	—	—	938,834	35	35
Baihui Trading	569,724	—	569,724	—	—	—	569,724	35	35
Zhengtai Trading	644,885	—	644,885	—	—	—	644,885	35	35
Yinxing Coal	600,000	—	600,000	—	—	—	600,000	45	45
Other associates	23,243	8,120	15,510	(18)	—	—	23,612	—	—
Sub-total	7,003,318	2,277,551	4,386,597	249,328	159,001	(24,413)	7,048,064		
Total	7,146,118	2,499,350	4,386,597	254,766	159,001	(24,413)	7,275,301		

#### (2) Other long-term equity investments

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the year
<b>Cost method-other long-term equity investment</b>							
Luneng Heze Company	103,609	103,609	—	103,609	12.27	12.27	—
Jinzhongnan Coal Company	39,200	39,200	—	39,200	14	14	—
CHD Operation	5,000	5,000	(5,000)	—	—	—	—
Daduhe Hydropower Company	17,500	12,500	5,000	17,500	5	5	—
Ningdong Railway Company	300,000	300,000	(300,000)	—	—	—	—
Total	465,309	460,309	(300,000)	160,309			—

For information on subsidiaries of the Company, see Note IV. 1.

#### (3) For information on joint ventures and associates of the Company, see Note V. 10.

### 5 Operating income and Operating costs

#### (1) Operating income and Operating costs

Item	2010	2009
	RMB'000	RMB'000
Operating income from principal activities	8,437,969	7,553,989
Other operating income	68,134	72,729
Operating costs	8,158,323	6,681,438

#### (2) Principal activities (by industry/by product)

Industry/product	2010		2009	
	Operating income	Operating costs	Operating income	Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	8,339,691	8,015,993	7,537,193	6,632,357
Sale of heat	98,278	120,811	16,796	20,768
Total	8,437,969	8,136,804	7,553,989	6,653,125

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 5 Operating income and Operating costs (continued)

#### (3) Principal activities (by geographical area)

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

#### (4) Operating income from the top five customers

Customer name	Operating income	Percentage of total operating income
	RMB'000	(%)
1. SEPCO	8,339,691	98.04
2. Zaozhuang Heat Corporation	67,301	0.79
3. Zouxian Company	37,797	0.45
4. Zoucheng Heat Company	17,958	0.21
5. Laiwu Gas and Heat Company Limited	13,019	0.15
Total	8,475,766	99.64

### 6 Investment income

#### (1) Investment income by item

Item	Note	2010 RMB'000	2009 RMB'000
Income from long-term equity investments under cost method	(2)	135,198	187,704
Income from long-term equity investments under equity method	(3)	254,766	63,910
Investment income from disposal of long-term equity investments		450,153	—
Total		840,117	251,614

#### (2) Investment income from long-term equity investments under cost method, which is more than 5% of total profits, is as follows:

Investee	2010 RMB'000	2009 RMB'000	Reason for movements for the year
Lingwu Company	70,159	95,918	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Banshan Company	28,050	56,066	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Material Company	14,944	17,994	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.

#### (3) Investment income/(losses) from long-term equity investments under equity method, which is more than 5% of total profits, are as follows:

Investee	2010 RMB'000	2009 RMB'000	Reason for movements for the year
Huadian Coal	120,523	40,450	Profit or loss from normal operations
Ningxia Power Company	116,508	53,760	Profit or loss from normal operations
Chizhou Company	(111,275)	(49,389)	Profit or loss from normal operations
Fucheng Mining Company	74,631	—	Profit or loss from normal operations
Luzhou Company	(37,270)	(22,434)	Profit or loss from normal operations
Changcheng Mine Company	33,569	—	Profit or loss from normal operations
China Huadian Finance	31,989	35,075	Profit or loss from normal operations

# Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)  
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## XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS (CONTINUED)

### 7 Supplement to cash flow statement

Supplement	2010	2009
	RMB'000	RMB'000
<b>1. Reconciliation of net profit to cash flows from operating activities:</b>		
Net profit	475,411	134,039
Add: (Reversal)/loss of impairment provisions for assets	(1,780)	1,343
Depreciation of fixed assets	861,293	858,946
Amortisation of intangible assets	14,610	15,440
(income)/losses on disposal of fixed assets, intangible assets, and other long-term assets	(43,703)	5,017
Financial expense	810,271	585,882
Gains arising from investments	(840,117)	(251,614)
Fair value of debt assigned	(501,122)	—
Increase/(decrease) in deferred tax liabilities	7,250	(1,007)
(Increase)/decrease in gross inventories	(47,880)	110,119
Increase in operating receivables	(550,396)	(581,840)
Decrease in operating payables	(114,295)	(665,356)
	<b>69,542</b>	<b>210,969</b>
<b>2. Change in cash and cash equivalents:</b>		
Cash at the end of the year	156,819	193,186
Less: Cash at the beginning of the year	193,186	780,288
	<b>(36,367)</b>	<b>(587,102)</b>



# Supplements

## 1 DETAILS OF EXTRAORDINARY GAINS AND LOSSES IN 2010

Item	Amount
	RMB'000
Disposal of non-current assets	46,205
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)	118,199
Reversal of impairment provisions of receivable assessed on an individual basis	14,748
Investment income arising from remeasurement to fair value of previously-held equity interest before step acquisition	59,029
Investment income from disposal of long-term equity investments	457,274
Gains from acquisition of Shijiazhuang Heat Entities at nil consideration	621,196
Other non-operating income and expenses besides items above	19,537
Amount of effect on taxation	(22,595)
Amount of effect on minority shareholders after taxation	(48,843)
<b>Total</b>	<b>1,264,750</b>

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. 43(2).

Above extraordinary gain and loss items are listed by amount before taxation.

## 2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

Difference in net profit and shareholders' equity included in disclosed consolidated financial statements under IFRSs and CAS

	Note	Net profit		Shareholders' equity	
		2010	2009	2010	2009
		RMB'000	RMB'000	RMB'000	RMB'000
Amount under CAS		<b>106,212</b>	1,592,913	<b>21,587,198</b>	20,845,100
Adjustments:					
Business combination involving entities under common control	(1)	<b>(42,146)</b>	(29,122)	<b>738,207</b>	780,353
Government grants	(2)	<b>11,838</b>	11,485	<b>(317,803)</b>	(165,533)
Taxation impact of the adjustments		<b>9,981</b>	6,723	<b>(144,781)</b>	(154,762)
<b>Amount under IFRSs</b>		<b>85,885</b>	1,581,999	<b>21,862,821</b>	21,305,158

# Supplements

## 2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS (CONTINUED)

Notes:

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

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

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

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

According to CAS, government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

## 3 RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9-Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC, the Group's return on net assets and earnings per share are calculated as follows:

	2010	
	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets (%)	1.32	(6.72)
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	207,844	(1,056,907)
Weighted average net assets attributable to the Company's ordinary equity shareholders (RMB'000)	15,736,241	15,736,241
Fully diluted return on net assets (%)	1.30	(6.64)
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	207,844	(1,056,907)
Weighted average net assets attributable to the Company's ordinary equity shareholders (RMB'000)	15,926,861	15,926,861
Basic earnings per share (RMB)	0.031	(0.156)
Consolidated net profit attributable to the Company's ordinary equity shareholders (RMB'000)	207,844	(1,056,907)
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 year, thus diluted earnings per share was equal to basic earnings per share.



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