



# 華能新能源股份有限公司 Huaneng Renewables Corporation Limited\*

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 0958)*

## 2011

### Interim Report





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## Corporate Information

### Registered Office

10–11th Floor  
No. 23A Fuxing Road  
Haidian District, Beijing, the PRC

### Head Office in the PRC

10–11th Floor  
No. 23A Fuxing Road  
Haidian District, Beijing, the PRC

### Principal Place of Business in Hong Kong

8th Floor, Gloucester Tower  
The Landmark  
15 Queen's Road Central  
Hong Kong

### Company's Website

[www.hnr.com.cn](http://www.hnr.com.cn)

### Joint Company Secretaries

Ms. SONG Yuhong  
Ms. MOK Ming Wai (*HKICS*)

### Authorized Representatives

Mr. ZHAO Shiming  
Ms. MOK Ming Wai (*HKICS*)

### Non-executive Directors

Mr. CAO Peixi (*Chairman*)  
Mr. HUANG Long (*Vice Chairman*)  
Mr. ZHAO Keyu

### Executive Directors

Mr. ZHAO Shiming (*President*)  
Mr. NIU Dongchun  
Ms. YANG Qing  
Mr. HE Yan

### Independent Non-executive Directors

Mr. QIN Haiyan  
Ms. DAI Huizhu  
Mr. ZHOU Shaopeng  
Mr. WAN Kam To

### Supervisors

Mr. XU Ping  
Mr. WANG Huanliang  
Mr. LIANG Zongxin

### Audit Committee

Mr. ZHOU Shaopeng (*Chairman*)  
Mr. ZHAO Keyu  
Mr. WAN Kam To

### Nomination Committee

Mr. ZHAO Shiming (*Chairman*)  
Mr. ZHOU Shaopeng  
Mr. QIN Haiyan

### Remuneration Committee

Mr. NIU Dongchun (*Chairman*)  
Ms. DAI Huizhu  
Mr. QIN Haiyan

### Compliance Adviser

Haitong International Capital Limited  
25/F New World Tower  
16-18 Queen's Road Central  
Hong Kong

### Hong Kong Legal Advisers

Skadden, Arps, Slate, Meagher & Flom  
42/F, Edinburgh Tower  
15 Queen's Road Central  
Hong Kong

**PRC Legal Advisers**

DeHeng Law Offices  
12/F Tower B, Focus Place  
19 Finance Street  
Beijing 100033  
the PRC

**Auditors**

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

**H Share Registrar**

Computershare Hong Kong  
Investor Services Limited  
Shops 1712–1716, 17th Floor  
Hopewell Centre  
183 Queen's Road East  
Wanchai, Hong Kong

**Principal Bankers**

China Development Bank Corporation  
No. 29 Fuchengmenwai Street  
Xicheng District  
Beijing  
the PRC

China Construction Bank Corporation  
No. 25 Finance Street  
Beijing  
the PRC

Industrial and Commercial Bank of China Limited  
No. 55 Fuxingmennei Street  
Xicheng District  
Beijing  
the PRC

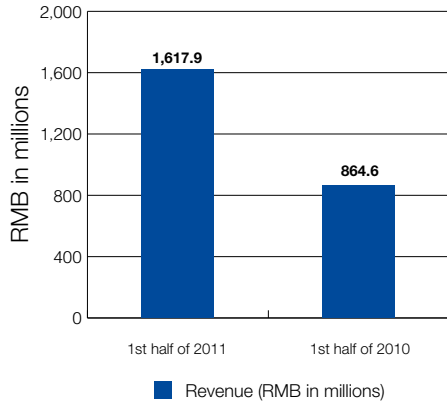
## Interim Results



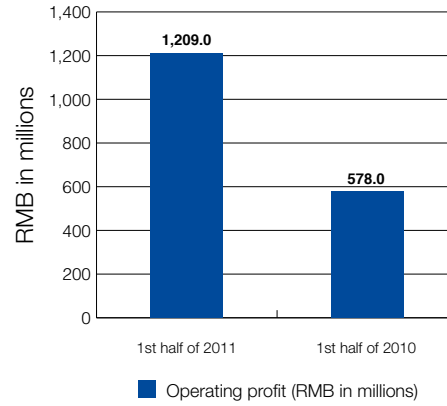
The board (the “Board”) of directors (the “Directors”) of Huaneng Renewables Corporation Limited (the “Company”) hereby announced the unaudited operating results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2011 and a comparison with the operating results for the corresponding period in 2010. For the six months ended 30 June 2011, the Group recorded consolidated revenue of RMB1,617.9 million, representing an increase of 87.1% over the corresponding period of 2010. Operating profit amounted to RMB1,209.0 million, representing an increase of 109.2% over the corresponding period of 2010. Net profit attributable to shareholders of the Company amounted to RMB673.3 million, representing an increase of 131.0% over the corresponding period of 2010. As of 30 June 2011, net assets per share (excluding non-controlling interests) amounted to RMB1.32.

# Interim Results

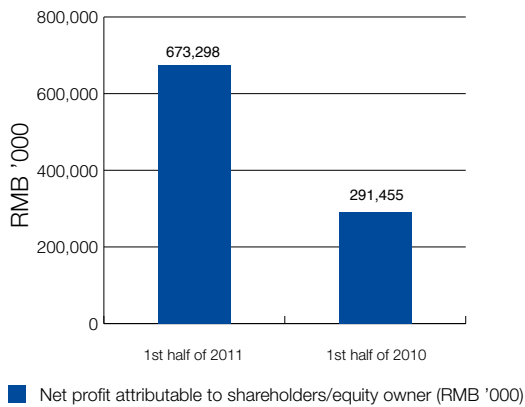
## 1. Revenue



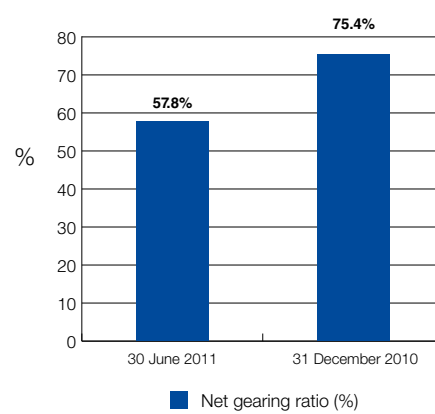
## 2. Operating profit



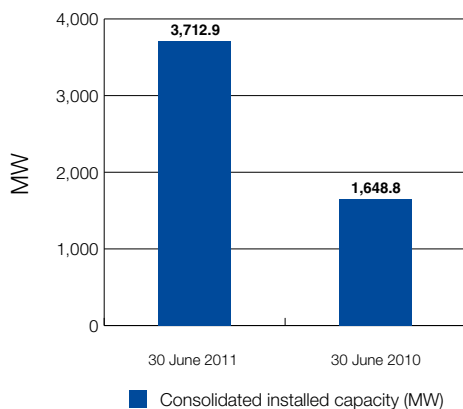
## 3. Net profit attributable to shareholders



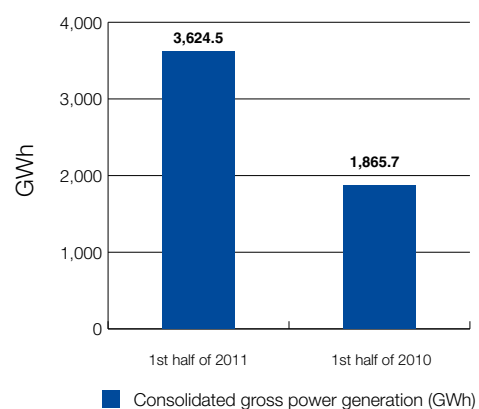
## 4. Net gearing ratio



## 5. Consolidated installed capacity



## 6. Consolidated gross power generation



## Financial Highlights

|  | <b>For the six months ended<br/>30 June</b> |                         |
|--|---|-------------------------|
|  | <b>2011<br/>RMB'000</b>                     | <b>2010<br/>RMB'000</b> |
| <b>Revenue</b>   | <b>1,617,876</b>                            | 864,648                 |
| <b>Profit before taxation</b>                              | <b>772,713</b>                              | 360,569                 |
| Income tax   | <b>(37,186)</b>                             | (13,582)                |
| <b>Profit for the period</b>                               | <b>735,527</b>                              | 346,987                 |
| <b>Attributable to:</b>                                    |   |                         |
| Shareholders/equity owner of the Company                   | <b>673,298</b>                              | 291,455                 |
| Non-controlling interests                                  | <b>62,229</b>                               | 55,532                  |
| <b>Total comprehensive income for the period</b>           | <b>735,527</b>                              | 346,987                 |
| <b>Attributable to:</b>                                    |   |                         |
| Shareholders/equity owner of the Company                   | <b>673,298</b>                              | 291,455                 |
| Non-controlling interests                                  | <b>62,229</b>                               | 55,532                  |
| <b>Basic and diluted earnings per share</b><br>(RMB cents) | <b>11.06</b>                                | 5.03 <sup>(Note)</sup>  |

*Note:* The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to equity owner of the Company for such period of RMB291,455,000 and the number of shares in issue during the six months ended 30 June 2010 of 5,800,000,000. The number of shares in issue during the six months ended 30 June 2010 represents the number of shares issued and outstanding upon the establishment of the Company on 5 August 2010 as if such shares have been issued and outstanding for above period.

## Financial Highlights (Continued)

|   | As of<br>30 June<br>2011<br><i>RMB'000</i> | As of<br>31 December<br>2010<br><i>RMB'000</i> |
|---|--|--|
| Total non-current assets  | <b>34,110,117</b>                          | 30,965,653                                     |
| Total current assets  | <b>10,309,002</b>                          | 2,478,973                                      |
| <b>TOTAL ASSETS</b>   | <b>44,419,119</b>                          | 33,444,626                                     |
| Total current liabilities                                       | <b>12,314,785</b>                          | 11,311,273                                     |
| Total non-current liabilities                                   | <b>20,264,977</b>                          | 16,014,534                                     |
| <b>TOTAL LIABILITIES</b>  | <b>32,579,762</b>                          | 27,325,807                                     |
| <b>NET ASSETS</b>   | <b>11,839,357</b>                          | 6,118,819                                      |
| Total equity attributable to the shareholders<br>of the Company | <b>10,976,630</b>                          | 5,283,886                                      |
| Non-controlling interests                                       | <b>862,727</b>                             | 834,933  |
| <b>TOTAL EQUITY</b>   | <b>11,839,357</b>                          | 6,118,819                                      |



## Management Discussion and Analysis

In the first half of 2011, the overall national economy demonstrated a good momentum of development and kept moving towards the expected direction of macro control. Power consumption grew rapidly across the country and the wind power industry maintained high-speed growth. In order to promote the wind power development, the PRC government also took active measures to address the problems of the industry. Taking advantage of these opportunities, the Company continued to accelerate the progress of development of our projects. Focused on major tasks such as obtaining approval, ensuring the number of projects to be put into operation and securing economic benefits, the Group pursued development according to scientific principles, strengthened corporate management and successfully accomplished objectives set for different stages in respect of project preparation work, infrastructure building, production and operation as well as pursuing industry leadership.

### I. BUSINESS REVIEW OF THE FIRST HALF OF THE YEAR

#### 1. Rapid growth in power generation business

In the first half of 2011, the Group continued to focus on construction quality and progress of our projects, to ensure achievement of the goal for new projects to be put into operation for the year. In the first half of the year, the consolidated installed capacity of wind power projects of the Group increased by 190.5MW. As of 30 June 2011, the Group had 3,712.9MW of consolidated installed capacity of wind power, representing an increase of 125.2% from that as of 30 June 2010.

The Group's consolidated installed capacity of wind power as of 30 June 2011 and 2010, respectively, is set out by region as follows:

| <b>Region</b>              | <b>Consolidated<br/>installed<br/>capacity of<br/>wind power<br/>as of 30 June<br/>2011<br/>(MW)</b> | <b>Consolidated<br/>installed<br/>capacity of<br/>wind power<br/>as of 30 June<br/>2010<br/>(MW)</b> | <b>Rate of<br/>change</b> |
|----------------------------|--|--|---------------------------|
| Northeast China Region     | <b>2,170.7</b>   | 945.0  | 129.7%                    |
| West Inner Mongolia Region | <b>297.0</b>   | 148.5  | 100.0%                    |
| North China Region         | <b>198.0</b>   | 49.5   | 300.0%                    |
| East China Region          | <b>645.2</b>   | 349.7  | 84.5%                     |
| South China Region         | <b>303.1</b>   | 106.6  | 184.4%                    |
| Xinjiang Region            | <b>99.0</b>  | 49.5   | 100.0%                    |
| <b>Total</b>               | <b>3,712.9</b>   | 1,648.8  | 125.2%                    |

In the first half of 2011, the Group had 3,624.5GWh of consolidated gross power generation, representing an increase of 94.3% over the same period last year. Such increase was mainly attributable to more efforts put into sales and marketing, enhancement in production and operation management improving the equipment utilization rate as well as the significant growth of the scale of installed capacity.

The consolidated gross power generation of the wind farms of the Group in the first half of 2011 and the corresponding period of 2010 is set out by region as follows:

| <b>Region</b>              | <b>Consolidated gross power generation in the first half of 2011 (MWh)</b> | <b>Consolidated gross power generation in the first half of 2010 (MWh)</b> | <b>Rate of change</b> |
|----------------------------|--|--|-----------------------|
| Northeast China Region     | <b>1,937,003.2</b>   | 1,056,317.1  | 83.4%                 |
| West Inner Mongolia Region | <b>354,727.2</b>   | 176,325.7  | 101.2%                |
| North China Region         | <b>159,093.9</b>   | 53,832.8   | 195.5%                |
| East China Region          | <b>635,816.2</b>   | 428,134.8  | 48.5%                 |
| South China Region         | <b>379,315.9</b>   | 148,336.1  | 155.7%                |
| Xinjiang Region            | <b>158,522.2</b>   | 2,764.7  | 5,633.8%              |
| <b>Total</b>               | <b>3,624,478.6</b>   | 1,865,711.2  | 94.3%                 |



The weighted average utilization hours of the Group's wind farms in the first half of 2011 was 1,123.5 hours, representing a decrease of approximately 11.9% from the same period last year, which is mainly due to the enlarged geographical coverage of the Group's wind power projects as a result of business expansion.

The weighted average utilization hours of the wind farms of the Group in the first half of 2011 and the first half of 2010 are set out by region as follows:

| <b>Region</b>              | <b>Weighted average utilization hours in the first half of 2011 (hours)</b> | Weighted average utilization hours in the first half of 2010 (hours) | <b>Rate of change</b> |
|----------------------------|---|--|-----------------------|
| Northeast China Region     | <b>999.5</b>  | 1,205.5  | -17.1%                |
| West Inner Mongolia Region | <b>1,245.9</b>  | 1,384.1  | -10.0%                |
| North China Region         | <b>1,154.1</b>  | 1,087.5  | 6.1%                  |
| East China Region          | <b>1,183.3</b>  | 1,440.2  | -17.8%                |
| South China Region         | <b>1,519.8</b>  | 1,392.2  | 9.2%                  |
| Xinjiang Region            | <b>1,601.2</b>  | —  | NA                    |
| <b>Total</b>               | <b>1,123.5</b>  | 1,274.5  | -11.9%                |

The availability factor of the Group's wind turbines in the first half of 2011 reached 98.98%, representing an increase of 0.26 percentage points over the corresponding period of 2010.

The availability factor of our wind turbines in the first half of 2011 and the first half of 2010 are set out by region as follows:

| <b>Region</b>              | <b>Availability factor in the first half of 2011 (%)</b> | Availability factor in the first half of 2010 (%) | <b>Change (%)</b> |
|----------------------------|--|---|-------------------|
| Northeast China Region     | <b>99.03</b>   | 99.11   | -0.08             |
| West Inner Mongolia Region | <b>98.41</b>   | 96.65   | 1.77              |
| North China Region         | <b>98.16</b>   | 98.71   | -0.55             |
| East China Region          | <b>98.78</b>   | 97.95   | 0.83              |
| South China Region         | <b>99.52</b>   | 99.81   | -0.29             |
| Xinjiang Region            | <b>99.89</b>   | —   | NA                |
| <b>China</b>               | <b>98.98</b>   | 98.72   | 0.26              |

For the first half of 2011, the Group's weighted average on-grid tariff for the wind power business was RMB0.598/kWh (including VAT), representing a decrease of RMB0.012/kWh from RMB 0.610/kWh (including VAT) for the corresponding period of last year, which was primarily due to the expansion of the Group's wind power business into regions which have relatively low on-grid tariff.

## **2. Significant improvement in profitability**

The Group's profit attributable to the shareholders of the Company in the first half of 2011 amounted to RMB673.3 million, representing an increase of approximately 131.0% over the same period last year. The major factor contributing to such growth is the strategic location of the Company's wind farms, while other main factors include strengthened cost control management as well as revenue contribution from the Clean Development Mechanism ("CDM").

## **3. Continuous decline in procurement cost of wind power equipment**

In the first half of 2011, the price of wind turbines continued to decline and the Group further controlled procurement cost of wind turbines through large-scale centralised tender process. As a result, the average procurement cost of wind turbines in the first half of 2011 decreased by 16.9% as compared with the annual average level of 2010, further bringing down the construction cost of our wind power projects.

## **4. More efforts devoted to resources development**

As of 30 June 2011, the Group had a portfolio of wind power pipeline projects with a capacity of 78,462.5MW. In the first half of 2011, the Group continued to strengthen efforts on wind resources development and signed new development agreements with a total capacity of 5,800.0MW, among which 4,550.0MW was wind resources to be developed in provinces in Tier 2 growth areas and Sichuan Province, accounting for approximately 80% of the total resources involved in newly signed agreements. In addition, in the first half of 2011, the Group obtained new approvals by the relevant provincial-level Development and Reform Commission of the PRC (the "DRC") for 5 projects with a total capacity of 247.5MW, including 2 projects located in Tier 2 growth areas with a total capacity of 99MW.

## **5. Continuous improvement in infrastructure management**

In the first half of 2011, on the premise that the construction progress was not affected, the Group further improved construction standards and optimized technical solution in a bid to guarantee high quality at relatively low cost. With respect to a large number of newly-commenced projects located in Tier 2 growth areas which are at high altitude and under diversified geological conditions, the Group optimized construction management and formulated construction technical standards. In the first half of the year, five projects of the Group were awarded as high-quality projects of the power industry, making the number of the Group's projects with such award total 15.

## 6. Stable safe production

In the first half of 2011, the production remained safe and no major accident resulting in personal injury, equipment damage or environmental contamination happened on the Group's wind farms. Focused on the work objective of "strengthening safety measures and guaranteeing electricity output", the Group conducted safety assessment, strengthened safety training and pushed ahead with the trial establishment of the management system for wind power safe production, and thus tighten up safety management foundation on an on-going basis. With the aim of maximizing electricity output, the Group took various measures, such as specifying electricity output tasks in details, focusing on scheduling, strengthening marketing, implementing incentive and punitive measures, while actively participating in the upgrading project of connecting-in pylons to accelerate the grid connection.

## 7. New progress in CDM projects' development

As of 30 June 2011, the Group had successfully registered 37 CDM projects, among which 14 projects with a total capacity of 900.0MW were registered in the first half of 2011; a total of 55 projects were approved by the relevant DRC, among which 9 projects with a total capacity of 696.0MW were approved in the first half of 2011.

## II. RESULTS OF OPERATIONS AND ANALYSIS

### Overview

In the first half of 2011, net profit of the Group amounted to RMB735.5 million, representing an increase of 112.0% as compared with RMB347.0 million for the corresponding period of 2010. Net profit attributable to shareholders amounted to RMB673.3 million, representing an increase of 131.0% as compared with RMB291.5 million for the corresponding period of 2010.

### Revenue

Revenue of the Group amounted to RMB1,617.9 million in the first half of 2011, representing an increase of RMB753.3 million or 87.1% as compared with RMB864.6 million for the corresponding period of 2010, primarily due to the increase in electricity sales volume resulted from the expansion of the installed capacity of our wind power business.

### Other net income

Other net income of the Group amounted to RMB253.4 million in the first half of 2011, representing an increase of RMB189.3 million or 295.3% as compared with RMB64.1 million for the corresponding period of 2010. The increase was primarily due to an increase of RMB184.6 million in income from sales of Certified Emission Reductions ("CERs") over RMB37.9 million for the corresponding period of 2010 as more wind power projects commenced operation and more projects were successfully registered with the CDM Executive Board.

## Operating expenses

Operating expenses of the Group amounted to RMB662.3 million in the first half of 2011, representing an increase of RMB311.6 million or 88.9% from RMB350.7 million over the corresponding period of 2010. The increase was primarily due to the increase in depreciation and amortisation expenses as well as increases in personnel costs, administration expenses and other expenses.

### *Depreciation and amortisation*

Depreciation and amortisation expenses of the Group amounted to RMB531.3 million in the first half of 2011, representing an increase of RMB257.5 million or 94.0% as compared with RMB273.8 million for the corresponding period of 2010. The increase was primarily due to the expansion of the consolidated operational capacity of our wind power business.

### *Personnel costs*

Personnel costs of the Group amounted to RMB35.2 million in the first half of 2011, representing an increase of RMB10.1 million or 40.2% as compared with RMB25.1 million for the corresponding period of 2010. The increase was primarily due to the increase in headcount as a result of expansion of the Group and commencement of operation of more wind power projects.

### *Administration expenses*

Administration expenses of the Group amounted to RMB49.7 million in the first half of 2011, representing an increase of RMB26.3 million or 112.4% as compared with RMB23.4 million for the corresponding period of 2010. The increase was primarily due to the increase in relevant operating expenses as a result of the business expansion of the Group and enhancements of management functions. In addition, relevant expenses such as insurance premiums and taxes increased accordingly as a result of more projects commenced operation.

## Operating profit

Operating profit of the Group amounted to RMB1,209.0 million in the first half of 2011, representing an increase of RMB631.0 million or 109.2% as compared with RMB578.0 million for the corresponding period of 2010. The increase was primarily due to the increase in revenue of electricity sales from wind power business and increase in income from sales of CERs.

### **Net finance expenses**

Net finance expenses of the Group amounted to RMB436.3 million in the first half of 2011, representing an increase of RMB218.8 million or 100.6% as compared with RMB217.5 million for the corresponding period of 2010. The increase was primarily due to (1) increase in projects that ceased capitalisation of interest as a result of commencement of operation; and (2) increase in borrowing rate.

### **Income tax**

Income tax of the Group amounted to RMB37.2 million in the first half of 2011, representing an increase of 173.5% as compared with RMB13.6 million for the corresponding period of 2010, mainly attributable to expiration of tax exemptions for certain wind power projects which are now entitled to 50% tax exemption.

### **Liquidity and source of funding**

As of 30 June 2011, the Group's cash at bank and on hand amounted to RMB8,619.1 million, representing an increase of RMB7,309.6 million as compared with the balance of RMB1,309.5 million as at 31 December 2010. The increase was mainly attributable to the proceeds from the initial public offering received by the Company on 10 June 2011.

Current assets of the Group (excluding cash at bank and on hand) amounted to RMB1,689.9 million, including trade debtors of RMB1,240.9 million (primarily consisted of receivables from the sales of electricity) and prepayments and other current assets of RMB429.9 million (primarily consisted of receivables for sales of CERs). Current liabilities amounted to RMB12,314.8 million, including other payables of RMB6,510.1 million (primarily consisted of payables for purchase of equipments, payables for construction and retention for construction contracts). Short-term borrowings amounted to RMB5,539.5 million. Net current liabilities as at 30 June 2011 amounted to RMB2,005.8 million, representing a decrease of RMB6,826.5 million as compared to that as at 31 December 2010. The decrease in net current liabilities was primarily due to the receipt of proceeds from the initial public offering on 10 June 2011.

As of 30 June 2011, the Group's outstanding borrowings amounted to RMB22,516.1 million (of which short-term borrowings and long-term borrowings due within one year amounted to RMB5,539.5 million and long-term borrowings amounted to RMB16,976.6 million), representing an increase of RMB4,497.2 million as compared with RMB18,018.9 million as at 31 December 2010.

### **Capital expenditure**

The capital expenditure of the Group amounted to RMB3,562.5 million in the first half of 2011, representing a decrease of 16.6% as compared with RMB4,272.4 million for the corresponding period of 2010. The capital expenditure mainly represented construction costs. The capital expenditure was mainly funded by bank borrowings, financing lease, bills acceptance and cash generated from operating activities of the Group.

### **Net gearing ratio**

As of 30 June 2011, the net gearing ratio of the Group, which is calculated by dividing net debt (total interest bearing borrowings and obligations under finance leases minus cash and cash equivalents) by sum of net debt and total equity (including non-controlling interests), was 57.8%, representing a decrease of 17.6 percentage points as compared with 75.4% as of 31 December 2010. The decrease was primarily due to the receipt of proceeds from the initial public offering on 10 June 2011.

### **Material investment**

The Group had no material investment in the first half of 2011.

### **Material acquisition and disposal**

The Group did not have any material acquisition and disposal of subsidiaries and associated corporations in the six months ended 30 June 2011.

### **Pledge of assets**

The Group did not pledge any assets in the first half of 2011.

### **Contingent liabilities**

The Group had no material contingent liabilities as of 30 June 2011.







### III. BUSINESS PROSPECT FOR THE SECOND HALF OF THE YEAR

The Group believes the current prospect for wind power development around the world is promising. After the accident at the Fukushima nuclear power plant in Japan, countries around the world slowed down or terminated nuclear power development and wind power again became a priority in energy development plan. The first half of the year saw a shortage in supply as demand for electricity in China kept growing. Such situation will continue through the second half of the year in China due to structural factors such as rising demand, unbalanced regional distribution of new installed capacity, uncoordinated power grid construction and reduced scale of thermal power.

The Group will firmly seize the opportunity and strengthen the overall management, coordination and implementation, work hard with firm confidence to accomplish sound and fast growth, and take a solid step along the road to become a leading listed renewable power company in the world.

In the second half of 2011, the Group will focus on the following work to ensure the achievement of each of the objectives:

1. to optimize the strategic location of wind farms, accelerate the approval-obtaining process, expand the scale and improve profit
2. to enhance project management to ensure the achievement of the full-year goal for installed capacity of wind power
3. to maintain safe production and improve marketing to ensure the achievement of electricity output goals
4. to improve cost control and reduce financial expenses to enhance profitability
5. to refine the management system and mechanism to improve comprehensive quality
6. to press ahead with reform and innovation to further improve capabilities in management and independent technological innovation

## Corporate Governance and Other Information

The Company was incorporated in the PRC as a joint stock limited company with limited liability on 5 August 2010 under the Companies Law of the PRC. The H shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 10 June 2011 (the “Listing Date”).

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company’s corporate governance is to promote effective internal control measures and to increase the transparency and accountability of the Board to all shareholders.

### COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. In respect of the period between the Listing Date and 30 June 2011, the Board is of the opinion that the Company has complied with all the code provisions set out in the Code and there is no material deviation from the Code.

### COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules to govern securities transactions by our Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they strictly complied with the required standard set out in the Model Code during the period between the Listing Date and 30 June 2011.

### AUDIT COMMITTEE

The Company has established an audit committee (the “Audit Committee”) in accordance with the Listing Rules. The primary duties of the Audit Committee are to review and supervise our internal control and financial reporting process and to maintain an appropriate relationship with our independent auditors.

The Audit Committee comprises three members, namely, Mr. Zhou Shaopeng (independent non-executive Director), Mr. Zhao Keyu (non-executive Director) and Mr. Wan Kam To (independent non-executive Director). Mr. Zhou Shaopeng currently serves as the chairman of the Audit Committee.

The Audit Committee has reviewed, discussed with senior management members of the Company and confirmed the announcement of interim results of the Group for the six months ended 30 June 2011, the 2011 interim report and the unaudited interim financial statements for the six months ended 30 June 2011. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

## INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, none of our Directors, Supervisors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")) which would have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which have to be recorded in the register under Section 352 of the SFO, or which were required to be notified to the us and the Stock Exchange pursuant to the Model Code.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2011, to the best knowledge of the Directors of the Company, the followings are the persons (other than the Directors, Supervisors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed by the Company under Divisions 2 and 3 of Part XV of the SFO:

| Name of shareholder  | Class of shares | Capacity / Nature of interests                        | Number of shares held<br>(shares) | Approximate percentage in the relevant class of shares<br>(%) | Approximate percentage in the total share capital<br>(%) |
|--|-----------------|---|-----------------------------------|---|--|
| China Huaneng Group <sup>(1)</sup>                                   | Domestic shares | Beneficial owner / Interest of controlled corporation | 5,551,430,000<br>(Long position)  | 100%  | 67.00%   |
| Morgan Stanley   | H shares        | Interest of controlled corporation                    | 272,990,000<br>(Long position)    | 9.98%   | 3.29%  |
|  | H shares        | Interests held jointly with another person            | 372,856,000<br>(Long position)    | 13.64%  | 4.50%  |
| China International Capital Corporation (Hong Kong) Limited          | H shares        | Interests held jointly with another person            | 372,856,000<br>(Long position)    | 13.64%  | 4.50%  |
|  | H shares        | Interests held jointly with another person            | 372,856,000<br>(Short position)   | 13.64%  | 4.50%  |
| China International Capital Corporation Hong Kong Securities Limited | H shares        | Interests held jointly with another person            | 372,856,000<br>(Long position)    | 13.64%  | 4.50%  |
|  | H shares        | Interests held jointly with another person            | 372,856,000<br>(Short position)   | 13.64%  | 4.50%  |
| China International Capital Corporation Limited                      | H shares        | Interests held jointly with another person            | 372,856,000<br>(Long position)    | 13.64%  | 4.50%  |
|  | H shares        | Interests held jointly with another person            | 372,856,000<br>(Short position)   | 13.64%  | 4.50%  |
| National Council for Social Security Fund<br>(全國社會保障基金理事會)           | H shares        | Beneficial owner                                      | 248,570,000<br>(Long position)    | 9.09%   | 3.00%  |

| Name of shareholder   | Class of shares | Capacity / Nature of interests             | Number of shares held<br>(shares) | Approximate percentage in the relevant class of shares<br>(%) | Approximate percentage in the total share capital<br>(%) |
|---|-----------------|--|-----------------------------------|---|--|
| Macquarie Group Limited                                     | H shares        | Interests held jointly with another person | 211,668,000<br>(Long position)    | 7.74%   | 2.55%  |
|   | H shares        | Investment manager                         | 4,500,000<br>(Long position)      | 0.16%   | 0.05%  |
| China Life Insurance (Group) Company                        | H shares        | Interests of controlled corporation        | 22,500,000<br>(Long position)     | 0.82%   | 0.27%  |
|   | H shares        | Beneficial owner                           | 169,700,000<br>(Long position)    | 6.21%   | 2.05%  |
| Best Investment Corporation                                 | H shares        | Beneficial owner                           | 191,250,000<br>(Long position)    | 6.99%   | 2.31%  |
| China Investment Corporation (中國投資有限責任公司)                   | H shares        | Interests of controlled corporation        | 191,250,000<br>(Long position)    | 6.99%   | 2.31%  |
| SCMB Overseas Limited                                       | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Standard Chartered Asia Limited                             | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Standard Chartered Bank                                     | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Standard Chartered Holdings (International) B.V.            | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Standard Chartered Holdings Limited                         | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Standard Chartered MB Holdings B.V.                         | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Standard Chartered PLC                                      | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Standard Chartered Private Equity (Mauritius) III Limited   | H shares        | Beneficial owner                           | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Standard Chartered Private Equity Limited                   | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| Temasek Holdings (Private) Limited                          | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| CSR Corporation Limited (中國南車股份有限公司)                        | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| CSR Group (中國南車集團公司)  | H shares        | Interests of controlled corporation        | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |
| State Grid International Development Limited (國家電網國際發展有限公司) | H shares        | Beneficial owner                           | 155,542,000<br>(Long position)    | 5.69%   | 1.88%  |

## Notes:

- (1) China Huaneng Group is beneficially interested in 5,273,860,000 domestic shares, representing approximately 63.65% of the total share capital of the Company. Huaneng Capital Services Corporation Ltd. ("Huaneng Capital") is interested in 277,570,000 domestic shares, representing approximately 3.35% of the total share capital of the Company. Since Huaneng Capital is a wholly-owned subsidiary of China Huaneng Group, China Huaneng Group is therefore deemed to be interested in the domestic shares held by Huaneng Capital.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period between the Listing Date and 30 June 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

## **MATERIAL LITIGATION**

As of 30 June 2011, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

## **INTERIM DIVIDEND**

The Board has not made any recommendation on the distribution of an interim dividend for the six months ended 30 June 2011.

## **CHANGE OF DIRECTOR'S INFORMATION**

Pursuant to Rule 13.51B(1) of the Listing Rules, the change of Directors' information since the Listing Date are set out as follows:

Mr. Wan Kam To, aged 58, is an independent non-executive Director of the Board and a member of the Company's Audit Committee. Mr. Wan joined our Group on August 6, 2010 when he was appointed as an independent non-executive Director of our Company. He currently serves as an independent director of Mindray Medical International Limited (New York Stock Exchange: MR) and RDA Microelectronics, Inc. (NASDAQ: RDA). In addition, he serves as an independent non-executive director at China Resources Land Limited (Hong Kong Stock Exchange: 1109), Dalian Port (PDA) Company Limited (Hong Kong Stock Exchange: 2880, Shanghai Stock Exchange: 601880), Fairwood Holdings Limited (Hong Kong Stock Exchange: 0052) and GreaterChina Professional Services Limited (Hong Kong Stock Exchange: 8193). Mr. Wan was also appointed as an independent non-executive director of Real Gold Mining Limited (Hong Kong Stock Exchange: 0246) on 25 July 2011 and resigned from that position on 19 August 2011. Mr. Wan has over 30 years of experience in auditing and advisory services. He joined PricewaterhouseCoopers in 1975 and served as a partner of PricewaterhouseCoopers from 1992 to 2008. He is a fellow of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wan graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) in 1975 with a Higher Diploma in accountancy.

# Review Report

## Review report to the board of directors of Huaneng Renewables Corporation Limited

*(Incorporated in the People's Republic of China with limited liability)*

### INTRODUCTION

We have reviewed the interim financial report set out on pages 22 to 48 which comprises the consolidated balance sheet of Huaneng Renewables Corporation Limited (the "Company") as at 30 June 2011 and the related consolidated statement of comprehensive income and statement of changes in equity and condensed consolidated statement of cash flows for the six months then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, Interim financial reporting, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

### SCOPE OF REVIEW

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

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim financial reporting.

#### **KPMG**

*Certified Public Accountants*

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

23 August 2011

# Unaudited Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011  
(Expressed in Renminbi)

|  | Note | Six months ended 30 June |                 |
|--|------|--------------------------|-----------------|
|  |      | 2011<br>RMB'000          | 2010<br>RMB'000 |
| <b>Revenue</b>   | 5    | <b>1,617,876</b>         | 864,648         |
| <b>Other net income</b>  | 6    | <b>253,412</b>           | 64,079          |
| <b>Operating expenses</b>  |      |                          |                 |
| Depreciation and amortisation                                    |      | (531,261)                | (273,811)       |
| Personnel costs  |      | (35,244)                 | (25,140)        |
| Repairs and maintenance  |      | (5,314)                  | (8,795)         |
| Administration expenses  |      | (49,732)                 | (23,412)        |
| Other operating expenses   |      | (40,745)                 | (19,532)        |
|  |      | <b>(662,296)</b>         | (350,690)       |
| <b>Operating profit</b>  |      | <b>1,208,992</b>         | 578,037         |
| Finance income   |      | 13,320                   | 4,718           |
| Finance expenses   |      | (449,599)                | (222,186)       |
| <b>Net finance expenses</b>                                      | 7    | <b>(436,279)</b>         | (217,468)       |
| <b>Profit before taxation</b>                                    | 8    | <b>772,713</b>           | 360,569         |
| Income tax   | 9    | (37,186)                 | (13,582)        |
| <b>Profit for the period</b>                                     |      | <b>735,527</b>           | 346,987         |
| <b>Other comprehensive income for the period,<br/>net of tax</b> |      | —                        | —               |
| <b>Total comprehensive income for the period</b>                 |      | <b>735,527</b>           | 346,987         |

The notes on pages 29 to 48 form part of this interim financial report.

|  | <i>Note</i> | <b>Six months ended 30 June</b> |                |
|--|-------------|---------------------------------|----------------|
|  |             | <b>2011</b>                     | 2010           |
|  |             | <b><i>RMB'000</i></b>           | <i>RMB'000</i> |
| <b>Profit attributable to:</b>                     |             |                                 |                |
| Shareholders/equity owner of the Company           |             | <b>673,298</b>                  | 291,455        |
| Non-controlling interests                          |             | <b>62,229</b>                   | 55,532         |
| <b>Profit for the period</b>                       |             | <b>735,527</b>                  | 346,987        |
| <b>Total comprehensive income attributable to:</b> |             |                                 |                |
| Shareholders/equity owner of the Company           |             | <b>673,298</b>                  | 291,455        |
| Non-controlling interests                          |             | <b>62,229</b>                   | 55,532         |
| <b>Total comprehensive income for the period</b>   |             | <b>735,527</b>                  | 346,987        |
| <b>Basic and diluted earnings per share</b>        |             |                                 |                |
| <b>(RMB cents)</b>                                 | 10          | <b>11.06</b>                    | 5.03           |

The notes on pages 29 to 48 form part of this interim financial report.



# Unaudited Consolidated Balance Sheet

At 30 June 2011  
(Expressed in Renminbi)

|  | <i>Note</i> | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|--|-------------|--|-----------------------------------|
| <b>Non-current assets</b>                    |             |  |                                   |
| Property, plant and equipment                | 11          | <b>30,809,876</b>                      | 27,802,930                        |
| Lease prepayments                            |             | <b>86,696</b>                          | 65,056                            |
| Intangible assets                            | 12          | <b>386,638</b>                         | 394,817                           |
| Other non-current assets                     | 13          | <b>2,818,553</b>                       | 2,690,141                         |
| Deferred tax assets                          |             | <b>8,354</b>                           | 12,709                            |
| <b>Total non-current assets</b>              |             | <b>34,110,117</b>                      | 30,965,653                        |
| <b>Current assets</b>                        |             |  |                                   |
| Inventories                                  |             | <b>2,030</b>                           | 692                               |
| Trade debtors and bills receivable           | 14          | <b>1,240,940</b>                       | 959,723                           |
| Prepayments and other current assets         | 15          | <b>429,943</b>                         | 207,711                           |
| Tax recoverable                              |             | <b>6</b>                               | 539                               |
| Restricted deposits                          |             | <b>16,982</b>                          | 842                               |
| Cash at bank and on hand                     | 16          | <b>8,619,101</b>                       | 1,309,466                         |
| <b>Total current assets</b>                  |             | <b>10,309,002</b>                      | 2,478,973                         |
| <b>Current liabilities</b>                   |             |  |                                   |
| Borrowings                                   | 17          | <b>5,539,495</b>                       | 4,817,600                         |
| Obligations under finance leases             | 18          | <b>250,148</b>                         | 232,215                           |
| Other payables                               | 19          | <b>6,510,089</b>                       | 6,255,181                         |
| Tax payable                                  |             | <b>15,053</b>                          | 6,277                             |
| <b>Total current liabilities</b>             |             | <b>12,314,785</b>                      | 11,311,273                        |
| <b>Net current liabilities</b>               |             | <b>(2,005,783)</b>                     | (8,832,300)                       |
| <b>Total assets less current liabilities</b> |             | <b>32,104,334</b>                      | 22,133,353                        |

The notes on pages 29 to 48 form part of this interim financial report.

|   | <i>Note</i> | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|---|-------------|--|-----------------------------------|
| <b>Non-current liabilities</b>  |             |  |                                   |
| Borrowings  | 17          | <b>16,976,587</b>                      | 13,201,335                        |
| Obligations under finance lease   | 18          | <b>2,021,287</b>                       | 1,768,411                         |
| Retention payables  |             | <b>981,334</b>                         | 761,768                           |
| Deferred income   |             | <b>243,250</b>                         | 248,746                           |
| Deferred tax liabilities  |             | <b>42,519</b>                          | 34,274                            |
| <b>Total non-current liabilities</b>                                    |             | <b>20,264,977</b>                      | 16,014,534                        |
| <b>NET ASSETS</b>   |             |  |                                   |
|   |             | <b>11,839,357</b>                      | 6,118,819                         |
| <b>CAPITAL AND RESERVES</b>   |             |  |                                   |
|   | 20          |  |                                   |
| Share capital   |             | <b>8,285,710</b>                       | 5,800,000                         |
| Reserves  |             | <b>2,690,920</b>                       | (516,114)                         |
| <b>Total equity attributable to the shareholders of<br/>the Company</b> |             | <b>10,976,630</b>                      | 5,283,886                         |
| <b>Non-controlling interests</b>  |             | <b>862,727</b>                         | 834,933                           |
| <b>TOTAL EQUITY</b>   |             | <b>11,839,357</b>                      | 6,118,819                         |

The notes on pages 29 to 48 form part of this interim financial report.

# Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 June 2011  
(Expressed in Renminbi)

|  | Attributable to the shareholders of the Company |                 |              |                   |           | Non-controlling interests | Total equity |            |
|--|---|-----------------|--------------|-------------------|-----------|---------------------------|--------------|------------|
|  | Share capital                                   | Capital reserve | Reserve fund | Retained earnings | Subtotal  |                           |              |            |
| Note   | RMB'000   | RMB'000         | RMB'000      | RMB'000           | RMB'000   | RMB'000                   | RMB'000      |            |
| <b>Balance at 1 January 2011</b>                                 | 5,800,000                                       | (1,328,216)     | 2,830        | 809,272           | 5,283,886 | 834,933                   | 6,118,819    |            |
| <b>Changes in equity for the six months ended 30 June 2011:</b>  |   |                 |              |                   |           |                           |              |            |
| Issuance of shares upon public offering, net of issuing expenses | 20(b)   | 2,485,710       | 2,533,736    | —                 | —         | 5,019,446                 | —            | 5,019,446  |
| Capital contributions  |   | —               | —            | —                 | —         | —                         | 5,382        | 5,382      |
| Dividends by subsidiaries to non-controlling equity owners       |   | —               | —            | —                 | —         | —                         | (39,817)     | (39,817)   |
| Total comprehensive income for the period                        |   | —               | —            | —                 | 673,298   | 673,298                   | 62,229       | 735,527    |
| <b>Balance at 30 June 2011</b>                                   |   | 8,285,710       | 1,205,520    | 2,830             | 1,482,570 | 10,976,630                | 862,727      | 11,839,357 |

The notes on pages 29 to 48 form part of this interim financial report.

|   | Attributable to the shareholders/equity owner of the Company |                 |                 |              |                   |           | Non-controlling interests | Total equity |
|---|--|-----------------|-----------------|--------------|-------------------|-----------|---------------------------|--------------|
|   | Share capital  | Paid-in capital | Capital reserve | Reserve fund | Retained earnings | Subtotal  |                           |              |
| Note  | RMB'000  | RMB'000         | RMB'000         | RMB'000      | RMB'000           | RMB'000   | RMB'000                   | RMB'000      |
| <b>Balance at 1 January 2010</b>                                    | —  | 451,500         | 1,831,730       | 12,908       | 287,077           | 2,583,215 | 713,297                   | 3,296,512    |
| <b>Changes in equity for the six months ended 30 June 2010:</b>     |  |                 |                 |              |                   |           |                           |              |
| Capital contributions   | —  | —               | 2,172,396       | —            | —                 | 2,172,396 | 36,524                    | 2,208,920    |
| Dividends by subsidiaries to non-controlling equity owners          | —  | —               | —               | —            | —                 | —         | (35,425)                  | (35,425)     |
| Total comprehensive income for the period                           | —  | —               | —               | —            | 291,455           | 291,455   | 55,532                    | 346,987      |
| <b>Balance at 30 June 2010 and 1 July 2010</b>                      | —  | 451,500         | 4,004,126       | 12,908       | 578,532           | 5,047,066 | 769,928                   | 5,816,994    |
| <b>Changes in equity for the six months ended 31 December 2010:</b> |  |                 |                 |              |                   |           |                           |              |
| Capitalisation upon establishment of the Company                    | 1/20(b)  | 5,800,000       | (451,500)       | (5,332,342)  | (12,908)          | (3,250)   | —                         | —            |
| Capital contributions   | —  | —               | —               | —            | —                 | —         | 49,941                    | 49,941       |
| Transfer to reserve fund  | —  | —               | —               | 2,830        | (2,830)           | —         | —                         | —            |
| Dividends by subsidiaries to non-controlling equity owners          | —  | —               | —               | —            | —                 | —         | (10,545)                  | (10,545)     |
| Total comprehensive income for the period                           | —  | —               | —               | —            | 236,820           | 236,820   | 25,609                    | 262,429      |
| <b>Balance at 31 December 2010</b>                                  | 5,800,000  | —               | (1,328,216)     | 2,830        | 809,272           | 5,283,886 | 834,933                   | 6,118,819    |

The notes on pages 29 to 48 form part of this interim financial report.

## Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011  
(Expressed in Renminbi)

|   | <i>Note</i> | <b>Six months ended 30 June</b> |                |
|---|-------------|---------------------------------|----------------|
|   |             | <b>2011</b>                     | <b>2010</b>    |
|   |             | <b>RMB'000</b>                  | <b>RMB'000</b> |
| <b>Cash generated from operations</b>               |             | <b>1,551,033</b>                | 573,995        |
| <b>Income tax paid</b>                              |             | <b>(15,276)</b>                 | (15,295)       |
| <b>Net cash generated from operating activities</b> |             | <b>1,535,757</b>                | 558,700        |
| <b>Net cash used in investing activities</b>        |             | <b>(3,088,360)</b>              | (2,815,204)    |
| <b>Net cash generated from financing activities</b> |             | <b>8,822,767</b>                | 4,221,654      |
| <b>Net increase in cash and cash equivalents</b>    |             | <b>7,270,164</b>                | 1,965,150      |
| <b>Cash and cash equivalents at 1 January</b>       | 16          | <b>1,297,771</b>                | 789,226        |
| <b>Effect of foreign exchanges rates changes</b>    |             | <b>(10,595)</b>                 | (60)           |
| <b>Cash and cash equivalents at 30 June</b>         | 16          | <b>8,557,340</b>                | 2,754,316      |

The notes on pages 29 to 48 form part of this interim financial report.

# Notes to the Unaudited Interim Financial Report

(Expressed in Renminbi)

## 1 PRINCIPAL ACTIVITIES AND ORGANISATION

Huaneng Renewables Corporation Limited (the “Company”) was established in the People’s Republic of China (the “PRC”) on 5 August 2010 as a joint stock company with limited liability as part of the reorganisation (the “Reorganisation”) of Huaneng New Energy Industrial Co., Ltd. (“HNEIC”). The Company and its subsidiaries (the “Group”) are mainly engaged in wind power generation and sale.

Prior to the Reorganisation and establishment of the Company, HNEIC was the holding company of the subsidiaries now comprising the Group, and was wholly owned by China Huaneng Group (“Huaneng Group”). Pursuant to the Reorganisation, the Company retained all of the assets and liabilities of HNEIC. Upon establishment, the Company had a total of 5,800 million issued ordinary shares, with a par value of RMB1.00 each. The Company issued to Huaneng Group 5,510 million shares, or 95% of the total issued shares, in exchange for (a) all the assets and liabilities of HNEIC; and (b) cash of RMB1,882,396,455. The Company also issued 290 million shares, or 5% of the total issued shares, to Huaneng Capital Services Corporation Ltd. (“Huaneng Capital”, 華能資本服務有限公司), a wholly owned subsidiary of Huaneng Group, in exchange for cash of RMB290 million.

In June 2011, the Company issued an aggregation of 2,485,710,000 H shares before exercise of over-allotment option with a nominal value of RMB 1.00 each, at a price of HKD 2.50 per H share by way of an initial public offering (the “IPO”) to Hong Kong and overseas investors. In connection with the IPO, 248,570,000 domestic state owned shares of RMB 1.00 each owned by Huaneng Group and Huaneng Capital were converted into H shares on a one-for-one basis and transferred to the National Council for Social Security Fund of the PRC. As at 30 June 2011, a total of 2,734,280,000 H shares were listed on The Stock Exchange of Hong Kong Limited.

## 2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standard Board (“IASB”). It was authorised for issuance on 23 August 2011.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The comparative figures for the six months ended 30 June 2010 represent the information from consolidated financial statements of HNEIC and its subsidiaries for the period since the Company has not been established by then. As there was no change in controlling shareholders before and after the Reorganisation and establishment of the Company, the consolidated financial statements for the six months ended 30 June 2010 have been prepared as a reorganisation under common control.

## 2 BASIS OF PREPARATION (CONTINUED)

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2010 annual financial statements. The condensed consolidated interim financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 21.

The financial information relating to the financial year ended 31 December 2010 that is included in the interim financial report as being previously reported information does not constitute the Company’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The annual financial statements for the year ended 31 December 2010 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 May 2011.

## 3 CHANGES IN ACCOUNTING POLICIES

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

- Improvements to IFRSs (2010)
- IAS 24 (revised 2009), *Related Party Disclosures*

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

The developments related primarily to clarification of certain disclosure requirements applicable to the Group’s financial statements. These developments had no material impact on the contents of this interim financial report.

## 4 SEASONALITY OF OPERATIONS

The Group is engaged in wind power business, which generally generates more revenue in the first and fourth quarters, comparing to the second and third quarters in the year, as the wind speed is more favourable for power generation in Spring and Winter. As a result, the revenue and profit from wind power business fluctuates during the year.

## 5 REVENUE

The amount of each significant category of revenue recognised during the period is as follows:

|                      | <b>Six months ended 30 June</b> |                |
|----------------------|---------------------------------|----------------|
|                      | <b>2011</b>                     | 2010           |
|                      | <b>RMB'000</b>                  | <i>RMB'000</i> |
| Sales of electricity | <b>1,617,126</b>                | 859,673        |
| Others               | <b>750</b>                      | 4,975          |
|                      | <b>1,617,876</b>                | 864,648        |

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

## 6 OTHER NET INCOME

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2011</b>                     | 2010           |
|  | <b>RMB'000</b>                  | <i>RMB'000</i> |
| Government grants  |                                 |                |
| — CERs income  | <b>222,462</b>                  | 37,887         |
| — Others   | <b>30,426</b>                   | 25,561         |
| Net loss on disposal of property,<br>plant and equipment | —                               | (8)            |
| Others   | <b>524</b>                      | 639            |
|  | <b>253,412</b>                  | 64,079         |



## 7 FINANCE INCOME AND EXPENSES

|   | <b>Six months ended 30 June</b> |                |
|---|---------------------------------|----------------|
|   | <b>2011</b>                     | 2010           |
|   | <b>RMB'000</b>                  | <i>RMB'000</i> |
| Interest income on financial assets   | <b>6,050</b>                    | 4,718          |
| Foreign exchange gains  | <b>7,270</b>                    | —              |
| <b>Finance income</b>   | <b>13,320</b>                   | 4,718          |
| Interest on bank and other borrowings   | <b>619,307</b>                  | 332,180        |
| Less: interest expenses capitalised into property,<br>plant and equipment and intangible assets | <b>183,177</b>                  | 112,938        |
|   | <b>436,130</b>                  | 219,242        |
| Foreign exchange losses   | <b>10,602</b>                   | 2,769          |
| Bank charges and others   | <b>2,867</b>                    | 175            |
| <b>Finance expenses</b>   | <b>449,599</b>                  | 222,186        |
| <b>Net finance expenses recognised in profit or loss</b>  | <b>(436,279)</b>                | (217,468)      |

The borrowing costs have been capitalised at rates of 4.89% to 6.44% per annum for the six months ended 30 June 2011 (six months ended 30 June 2010: 4.32% to 5.35% per annum).

## 8 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

|                                 | Six months ended 30 June |                 |
|---------------------------------|--------------------------|-----------------|
|                                 | 2011<br>RMB'000          | 2010<br>RMB'000 |
| Amortisation                    |                          |                 |
| — lease prepayments             | 1,044                    | 1,064           |
| — intangible assets             | 8,697                    | 8,667           |
| Depreciation                    |                          |                 |
| — property, plant and equipment | 521,520                  | 264,080         |
| Operating lease charges         |                          |                 |
| — hire of properties            | 5,625                    | 2,061           |
| Cost of inventories             | 3,044                    | 8,557           |

## 9 INCOME TAX

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

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2011<br>RMB'000          | 2010<br>RMB'000 |
| <b>Current tax</b>                                |                          |                 |
| Provision for the period                          | 22,257                   | 4,868           |
| Under-provision in respect of prior periods       | 2,329                    | —               |
|   | 24,586                   | 4,868           |
| <b>Deferred tax</b>                               |                          |                 |
| Origination and reversal of temporary differences | 12,600                   | 8,714           |
|   | 37,186                   | 13,582          |

## 9 INCOME TAX (CONTINUED)

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

|   | Six months ended 30 June |                 |
|---|--------------------------|-----------------|
|   | 2011<br>RMB'000          | 2010<br>RMB'000 |
| Profit before taxation  | <b>772,713</b>           | 360,569         |
| Applicable tax rate   | <b>25%</b>               | 25%             |
| Notional tax on profit before taxation  | <b>193,178</b>           | 90,142          |
| Tax effect of non-deductible expenses   | <b>467</b>               | 260             |
| Effect of differential tax rate of certain subsidiaries of the Group ( <i>note(i)</i> ) | <b>(181,549)</b>         | (81,019)        |
| Tax effect of unused tax losses not recognised  | <b>22,658</b>            | 8,577           |
| Tax credits for purchase of domestic equipment  | <b>—</b>                 | (3,847)         |
| Under-provision in respect of prior periods   | <b>2,329</b>             | —               |
| Others  | <b>103</b>               | (531)           |
| Income tax  | <b>37,186</b>            | 13,582          |

*Note:*

- (i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group as determined in accordance with the relevant PRC income tax rules and regulations for the six months ended 30 June 2011 and the six months ended 30 June 2010, except for certain subsidiaries of the Group, which are taxed at preferential rates of 0% to 24%.

## 10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of the Company for the six months ended 30 June 2011 of RMB673,298,000 (six months ended 30 June 2010: RMB291,455,000) and the weighted average number of shares in issue during the six months ended 30 June 2011 of 6,088,397,000 (six months ended 30 June 2010: 5,800,000,000).

The weighted average number of shares in issue during the six months ended 30 June 2010 represented the number of shares issued and outstanding upon the establishment of the Company on 5 August 2010 as if such shares were outstanding throughout the period. The weighted average number of shares for the six months ended 30 June 2011 also reflects the issuance of 2,485,710,000 shares in June 2011 in connection with the Company's initial public offering (see note 20(b)). The weighted average number of shares in issue is set out below:

|  | <b>Six months ended 30 June</b> |                  |
|--|---------------------------------|------------------|
|  | <b>2011</b>                     | 2010             |
|  | <b>Thousands</b>                | <i>Thousands</i> |
|  | <b>shares</b>                   | <i>shares</i>    |
| Shares issued to Huaneng Group and Huaneng Capital upon formation of the Company on 5 August 2010 as if such shares were outstanding for the entire period | <b>5,800,000</b>                | 5,800,000        |
| Effects of shares issued in June 2011  | <b>288,397</b>                  | —                |
|  | <b>6,088,397</b>                | 5,800,000        |

There was no difference between the basic and diluted earnings per share as there were no diluted potential shares outstanding for the periods presented.

## 11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment of approximately RMB3,532,275,000 (six months ended 30 June 2010: approximately RMB4,259,813,000). No items of property, plant and equipment were disposed of during the six months ended 30 June 2011. Items of property, plant and equipment with a net book value of approximately RMB309,000 were disposed of during the six months ended 30 June 2010, resulting in a loss on disposal of RMB8,000.

## 12 INTANGIBLE ASSETS

Intangible assets mainly represent service concession assets of approximately RMB385,056,000 (31 December 2010: approximately RMB393,585,000), software and other assets of approximately RMB1,582,000 (31 December 2010: approximately RMB1,232,000).

### 13 OTHER NON-CURRENT ASSETS

|   | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|---|--|-----------------------------------|
| Deductible Value-Added Tax ("VAT") ( <i>note (i)</i> )          | <b>2,555,058</b>                       | 2,433,559                         |
| Unquoted equity investments in non-listed companies,<br>at cost | <b>169,627</b>                         | 169,627                           |
| Deposits and advances to third parties ( <i>note (ii)</i> )     | <b>93,868</b>                          | 86,955                            |
|   | <b>2,818,553</b>                       | 2,690,141                         |

Notes:

- (i) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets, which is deductible from output VAT since 1 January 2009.
- (ii) The deposits and advances to third parties are unsecured and interest free. The balance mainly represented deposits with third parties in connection with the finance lease arrangement in the amount of RMB40,173,000 as at 30 June 2011 (31 December 2010: RMB40,173,000), which are expected to be repaid at the end of the lease period, and funding support amounting to RMB43,800,000 as at 30 June 2011 (31 December 2010: RMB43,800,000), to a local grid company in order to facilitate the construction of the grid network, which the Directors of the Company expect it will be recovered in two to four years.

### 14 TRADE DEBTORS AND BILLS RECEIVABLE

|                                      | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|--------------------------------------|--|-----------------------------------|
| Amounts due from third parties       | <b>1,240,190</b>                       | 949,574                           |
| Amounts due from fellow subsidiaries | <b>750</b>                             | 10,149                            |
|                                      | <b>1,240,940</b>                       | 959,723                           |
| Less: allowance for doubtful debts   | —                                      | —                                 |
|                                      | <b>1,240,940</b>                       | 959,723                           |

## 14 TRADE DEBTORS AND BILLS RECEIVABLE (CONTINUED)

The ageing analysis of trade debtors and bills receivable of the Group is as follows:

|                                    | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|------------------------------------|--|-----------------------------------|
| Current                            | <b>1,240,940</b>                       | 951,931                           |
| Past due within 1 year             | —                                      | 4,750                             |
| Past due between 1 to 2 years      | —                                      | 3,042                             |
|                                    | <b>1,240,940</b>                       | 959,723                           |
| Less: allowance for doubtful debts | —                                      | —                                 |
|                                    | <b>1,240,940</b>                       | 959,723                           |

The Group's trade debtors are mainly wind power electricity sales receivable from local grid companies. Generally, the debtors are due within 15 - 30 days from the date of billing. Certain wind power projects collect part of receivables tariff premium, representing 30% to 60% of total electricity sales, in 2 to 12 months from the date of recognition of sales, as agreed with local grid companies.

## 15 PREPAYMENTS AND OTHER CURRENT ASSETS

|                                    | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|------------------------------------|--|-----------------------------------|
| CERs receivable                    | <b>379,737</b>                         | 167,253                           |
| Staff advance                      | <b>5,337</b>                           | 3,982                             |
| Deposits                           | <b>13,148</b>                          | 8,538                             |
| Prepayments                        | <b>1,325</b>                           | 1,126                             |
| Other debtors                      | <b>31,214</b>                          | 27,630                            |
|                                    | <b>430,761</b>                         | 208,529                           |
| Less: allowance for doubtful debts | <b>818</b>                             | 818                               |
|                                    | <b>429,943</b>                         | 207,711                           |

## 16 CASH AT BANK AND ON HAND

|   | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|---|--|-----------------------------------|
| Cash on hand  | <b>1,044</b>                           | 576                               |
| Cash at bank and other financial institutions               | <b>8,618,057</b>                       | 1,308,890                         |
|   | <b>8,619,101</b>                       | 1,309,466                         |
| Representing:   |  |                                   |
| — Cash and cash equivalents                                 | <b>8,557,340</b>                       | 1,297,771                         |
| — Time deposits with original maturity<br>over three months | <b>61,761</b>                          | 11,695                            |
|   | <b>8,619,101</b>                       | 1,309,466                         |

## 17 BORROWINGS

### (a) The long-term interest-bearing borrowings comprise:

|   | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|---|--|-----------------------------------|
| Bank and other loans                          |  |                                   |
| — Secured                                     | <b>2,217,048</b>                       | 2,355,656                         |
| — Unsecured                                   | <b>16,049,238</b>                      | 11,693,483                        |
|   | <b>18,266,286</b>                      | 14,049,139                        |
| Less: Current portion of long-term borrowings |  |                                   |
| — Bank and other loans                        | <b>1,289,699</b>                       | 847,804                           |
|   | <b>16,976,587</b>                      | 13,201,335                        |

As at 30 June 2011, bank loans guaranteed by Huaneng Group amounted to RMB 26,170,000 (31 December 2010: RMB26,863,000).

## 17 BORROWINGS (CONTINUED)

### (b) The short-term interest-bearing borrowings comprise:

|   | At 30 June<br>2011<br>RMB'000 | At 31 December<br>2010<br>RMB'000 |
|---|-------------------------------|-----------------------------------|
| Bank loans (unsecured)  | 4,249,796                     | 3,969,796                         |
| Current portion of long-term borrowings<br>— Bank and other loans | 1,289,699                     | 847,804                           |
|   | <b>5,539,495</b>              | 4,817,600                         |

### (c) The interest rates on borrowings are as follows:

|                      | At 30 June<br>2011<br>RMB'000       | At 31 December<br>2010<br>RMB'000 |
|----------------------|-------------------------------------|-----------------------------------|
| <b>Long-term</b>     |                                     |                                   |
| Bank and other loans | <b>1%(note (i)),<br/>4.86~7.14%</b> | 1%(note (i)),<br>4.86~5.63%       |
| <b>Short-term</b>    |                                     |                                   |
| Bank and other loans | <b>4.78~6.31%</b>                   | 4.59%~5.00%                       |

Note:

- (i) A subsidiary of the Company, Huaneng Shantou Nan'ao Wind Power Company Limited ("Nan'ao Power"), obtained a foreign government loan through China Construction Bank Guangdong Branch on 29 November 1999. This loan is funded by Spanish government via China Construction Bank Guangdong Branch. According to the terms of the loan, Nan'ao Power is obligated to use the loan proceeds to purchase goods and services only from entities in Spain. The total loan amount was US\$8,586,809, of which US\$4,317,319 was export credit loan with annual interest rate of 5.78% and a loan term of seven years due on 22 January 2008. The export credit loan was fully settled and repaid in 2008. The remaining US\$4,269,490 has an annual interest rate of 1%. Nan'ao Power is required to make semi-annual installment payments starting 15 June 2010. The loan is to be paid off by 15 December 2029.



## 17 BORROWINGS (CONTINUED)

(d) The long-term borrowings are repayable as follows:

|                                  | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|----------------------------------|--|-----------------------------------|
| Within 1 year or on demand       | <b>1,289,699</b>                       | 847,804                           |
| After 1 year but within 2 years  | <b>2,778,846</b>                       | 1,654,320                         |
| After 2 years but within 5 years | <b>5,333,889</b>                       | 4,407,864                         |
| After 5 years                    | <b>8,863,852</b>                       | 7,139,151                         |
|                                  | <b>18,266,286</b>                      | 14,049,139                        |

## 18 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

|   | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|---|--|-----------------------------------|
| Present value of the minimum lease payments |  |                                   |
| Within 1 year                               | <b>250,148</b>                         | 232,215                           |
| After 1 year but within 2 years             | <b>297,127</b>                         | 259,508                           |
| After 2 years but within 5 years            | <b>1,005,882</b>                       | 872,474                           |
| After 5 years                               | <b>718,278</b>                         | 636,429                           |
|   | <b>2,021,287</b>                       | 1,768,411                         |
| Present value of finance lease obligations  | <b>2,271,435</b>                       | 2,000,626                         |

## 18 OBLIGATIONS UNDER FINANCE LEASES *(CONTINUED)*

|  | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|--|--|-----------------------------------|
| Total minimum lease payments               |  |                                   |
| Within 1 year                              | <b>375,478</b>                         | 334,552                           |
| After 1 year but within 2 years            | <b>413,752</b>                         | 353,457                           |
| After 2 years but within 5 years           | <b>1,241,256</b>                       | 1,060,372                         |
| After 5 years                              | <b>810,861</b>                         | 696,629                           |
|  | <b>2,465,869</b>                       | 2,110,458                         |
|  | <b>2,841,347</b>                       | 2,445,010                         |
| Less: total future interest expenses       | <b>569,912</b>                         | 444,384                           |
| Present value of finance lease obligations | <b>2,271,435</b>                       | 2,000,626                         |

At inception, the lease periods of the finance lease obligation is approximately 7 to 10 years. The principal obligations and interest expenses are to be paid at least annually within the lease period.

## 19 OTHER PAYABLES

|  | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|--|--|-----------------------------------|
| Payables for acquisition of property,<br>plant and equipment and intangible assets | <b>4,635,374</b>                       | 5,083,427                         |
| Retention payable ( <i>note (i)</i> )  | <b>1,191,246</b>                       | 1,045,711                         |
| Bills payable  | <b>489,996</b>                         | —                                 |
| Dividends payable  | <b>10,793</b>                          | —                                 |
| Payables for staff related costs   | <b>47,161</b>                          | 36,569                            |
| Amounts due to related parties ( <i>note (ii)</i> )                                | <b>3,073</b>                           | 18,073                            |
| Payables for other taxes   | <b>19,935</b>                          | 28,684                            |
| Interest payable   | <b>35,900</b>                          | 19,699                            |
| Other accruals and payables  | <b>76,611</b>                          | 23,018                            |
|  | <b>6,510,089</b>                       | 6,255,181                         |

*Notes:*

- (i) Retention payable represents the retention payables due to equipment suppliers and construction contractors which will be settled upon the expiry of the warranty period.
- (ii) Amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

All of the other payables are expected to be settled within one year or are repayable on demand.

## 20 CAPITAL AND RESERVES

### (a) Dividends

The directors do not recommend the payment of any interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: RMB nil).

Pursuant to the board resolution of the Company on 23 November 2010, the Company is to make a distribution to Huaneng Group, which represents an amount equal to the net profit attributable to the equity owner of the Company, generated during the period from 1 January 2010 (the date immediately after the date of the Reorganisation) to 5 August 2010 (the "Special Distribution").

Pursuant to the board resolution of the Company on 29 April 2011, the directors resolved to pay the Special Distribution to Huaneng Group amounting to RMB316.2 million. As disclosed in the Prospectus of the Company dated 30 May 2011, the Company will pay such Special Distribution to Huaneng Group within six months commencing from the date on which its H shares are listed on The Stock Exchange of Hong Kong Limited, i.e. 10 June 2011.

### (b) Share capital

|   | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|---|--|-----------------------------------|
| <b>Issued and fully Paid</b>                            |  |                                   |
| Domestic state-owned ordinary shares of<br>RMB1.00 each | <b>5,551,430</b>                       | 5,800,000                         |
| 2,734,280,000 H shares of RMB1.00 each                  | <b>2,734,280</b>                       | —                                 |
|   | <b>8,285,710</b>                       | 5,800,000                         |

Pursuant to the approval of Establishing Huaneng Renewables Corporation Limited, issued by State-owned Assets Supervision and Administration Commission of the State Council, the Company was established as a joint stock company on 5 August 2010. The Company issued 5,800 million ordinary shares with a par value of RMB1.00 each on 5 August 2010, with 5,510 million shares to Huaneng Group in exchange of (i) all the assets and liabilities transferred from HNEIC and its subsidiaries, and (ii) a cash contribution of RMB1,882 million, and 290 million shares to Huaneng Capital, in exchange of a cash contribution of RMB290 million.

## 20 CAPITAL AND RESERVES (CONTINUED)

### (b) Share capital (continued)

In June 2011, the Company issued 2,485,710,000 H shares with a par value of RMB1.00, at a price of HKD2.50 per H share and 248,570,000 domestic state-owned shares of RMB 1.00 each owned by Huaneng Group and Huaneng Capital were converted into H shares in connection with the IPO.

All shareholders are entitled to receive dividends as declared from time to time except for the Special Distribution to Huaneng Group as described in note 20(a) and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### (c) Nature and purpose of reserves

#### (i) Capital reserve

Capital reserve includes share premium and other capital reserve.

Share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the IPO in June 2011.

Other capital reserve mainly represents the difference between the total amount of the nominal value of shares issued and the amount of the net assets and cash injected by Huaneng Group upon the establishment of the Company.

#### (ii) Reserve fund

According to the Company's Article of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its 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. This reserve fund can be utilised in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

## 21 CAPITAL COMMITMENTS

Capital commitments outstanding at the year/period end not provided for in the interim financial report were as follows:

|                                   | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000 |
|-----------------------------------|--|-----------------------------------|
| Contracted for                    | <b>10,809,760</b>                      | 8,066,459                         |
| Authorised but not contracted for | <b>13,252,891</b>                      | 18,322,479                        |
|                                   | <b>24,062,651</b>                      | 26,388,938                        |

## 22 CONTINGENT LIABILITIES

Up to date, there have been no rules issued on whether the revenue from sales of CERs is subject to any VAT or business tax. Based on the discussions with local tax authorities, the directors of the Company are of the opinion that no such taxes will be applicable to the revenue from sales of CERs. Therefore, the Group has not made any provision on such contingencies.

## 23 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

The Group is part of a larger group of companies under Huaneng Group and has significant transactions and relationships with the subsidiaries of Huaneng Group. The principal related party transactions which were carried out in the ordinary course of business are as follows:

|                                      | <b>Six months ended 30 June</b> |                |
|--------------------------------------|---------------------------------|----------------|
|                                      | <b>2011</b>                     | 2010           |
|                                      | <b>RMB'000</b>                  | <b>RMB'000</b> |
| <b>Service provided to</b>           |                                 |                |
| Fellow subsidiaries                  | <b>750</b>                      | 4,975          |
| <b>Service provided by</b>           |                                 |                |
| Fellow subsidiaries                  | <b>21,774</b>                   | 15,621         |
| Huaneng Group                        | —                               | 1,854          |
| <b>Loan guarantees provided by</b>   |                                 |                |
| Huaneng Group                        | —                               | 1,170,027      |
| <b>Loans repayment to</b>            |                                 |                |
| Fellow subsidiaries                  | —                               | (700,000)      |
| <b>Interest expenses</b>             |                                 |                |
| Fellow subsidiaries                  | —                               | 27,727         |
| <b>Net deposit in</b>                |                                 |                |
| Huaneng Finance                      | —                               | 507,150        |
| <b>Interest income</b>               |                                 |                |
| Huaneng Finance                      | —                               | 3,844          |
| <b>Working capital received from</b> |                                 |                |
| Fellow subsidiaries                  | —                               | (563,499)      |

### (b) Outstanding balances with related parties

Details of the outstanding balances with related parties are set out in notes 14, 17 and 19.

## 23 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (c) Transactions with other government-related entities in the PRC

The Group is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly owned or controlled by the PRC government and numerous government authorities and agencies (collectively referred to as “government-related entities”).

Apart from transactions mentioned above, the Group conducts a majority of its business activities with government-related entities in the ordinary course of business. These transactions are carried out at terms similar to those that would be entered into with non-government-related entities. Transactions with other government-related entities included but are not limited to the following:

- Sales of electricity;
- Depositing and borrowing money; and
- Purchase of materials and receiving construction work services.

The tariff of electricity is regulated by relevant government. The Group prices its other services and products based on commercial negotiations. The Group has also established its approval processes for sales of electricity, purchase of products and services and its financing policy for borrowing. Such approval processes and financing policy do not depend on whether the counterparties are government-related entities or not.

For the six months ended 30 June 2011 and 2010, all revenue from the sales of electricity is made to the provincial power grid companies which are government-related entities. As at 30 June 2011 and 31 December 2010, substantially all the trade and bills receivable are due from these power grid companies.

The Company and its subsidiaries maintained substantially all of the bank deposits in government-related financial institutions while lenders of substantially all of the Company and its subsidiaries' loans are also government-related financial institutions, associated with the respective interest income or interest expense incurred.

Other collectively significant transactions with government-related entities also included a large portion of equipment and materials purchases, and property, plant and equipment construction services received.



## 23 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Commitments with related parties

Commitments with related parties outstanding at the year/period end not provided for in the interim financial report were as follows:

|  | <b>At 30 June<br/>2011<br/>RMB'000</b> | At 31 December<br>2010<br>RMB'000<br>Restated |
|--|--|---|
| Services to be provided by related parties | <b>8,684</b>                           | 13,087  |

### (e) Key management personnel remuneration

Remuneration for key management personnel is as follows:

|                                 | <b>Six months ended 30 June</b> |                 |
|---------------------------------|---------------------------------|-----------------|
|                                 | <b>2011<br/>RMB'000</b>         | 2010<br>RMB'000 |
| Salaries and other emoluments   | <b>2,024</b>                    | 1,386           |
| Discretionary bonus             | <b>996</b>                      | 832             |
| Retirement scheme contributions | <b>205</b>                      | 148             |
|                                 | <b>3,225</b>                    | 2,366           |

## 24 SUBSEQUENT EVENT

On 7 July 2011, the over-allotment option was partially exercised in respect of 161,188,000 H shares in connection with the IPO, which were issued and allotted at HKD2.50 per H share.



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Huaneng Renewables Corporation Limited\*