



華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code : 1071

2011
INTERIM REPORT

The board of directors (the “Board”) of Huadian Power International Corporation Limited” (the “Company”) hereby presents the unaudited interim consolidated financial results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2011 (the “Period”) prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”. The Group’s interim financial report for the Period is unaudited, but it has been reviewed by KPMG, the international auditor of the Company, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s unmodified review report addressed to the Board is set out on page 44. The Audit Committee of the Company has also reviewed the 2011 interim report and its relevant financial information of the Group.

BUSINESS REVIEW

During the Period, turnover of the Group amounted to approximately RMB26,397 million, representing an increase of approximately 21.10% over the corresponding period in 2010; profit after tax attributable to equity shareholders of the Company amounted to approximately RMB106 million; earnings per share was approximately RMB0.016; net asset value per share (excluding non-controlling interests) amounted to approximately RMB2.40.

INTERIM DIVIDEND

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

Power Generation

During the Period, the power generation of the Group amounted to approximately 73.72 million MWh, representing an increase of approximately 17.91% over the corresponding period in 2010; on-grid power sold amounted to approximately 68.89 million MWh, representing an increase of approximately 18.35% over the corresponding period in 2010; the average utilization hours of coal-fired generating units were 2,735 hours and the coal consumption for power supply was approximately 315.80 g/KWh.

The Group is one of the largest listed power-generating groups in the People’s Republic of China (the “PRC”). Details of the Group’s major operational power generating assets as at the date of this report are as follows:

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Combination of generating units
1	Zouxian Plant	2,540	100%	2 x 600MW + 4 x 335MW
2	Shiliquan Plant	770	100%	1 x 330MW + 1 x 300MW + 1 x 140MW
3	Laicheng Plant	1,200	100%	4 x 300MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Combination of generating units
4	Huadian Zouxian Power Generation Company Limited ("Zouxian Company")	2,000	69%	2 x 1,000MW
5	Huadian Weifang Power Generation Company Limited ("Weifang Company")	2,000	45%	2 x 670MW + 2 x 330MW
6	Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	1,200	55%	4 x 300MW
7	Huadian Zibo Thermal Power Generation Company Limited ("Zibo Company")	433	100%	2 x 145MW + 2 x 71.5MW
8	Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	890	87.5%	2 x 300MW + 2 x 145MW
9	Huadian Tengzhou Xinyuan Thermal Power Company Limited ("Tengzhou Company")	930	93.257%	2 x 315MW + 2 x 150MW
10	Shandong Century Electric Power Development Corporation Limited ("Century Power Company")	1,046	84.31%	4 x 220MW + 1 x 110MW + 2 x 28MW
11	Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Power Company")	40.5	55%	27 x 1.5MW
12	Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	3,320	65%	2 x 1,060MW + 2 x 600MW
13	Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	660	50%	2 x 330MW
14	Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company")	102	100%	68 x 1.5MW
15	Huadian Ningxia Ningdong Shangde Solar Power Company Limited ("Shangde Solar Company")	10	60%	10 x 1MW
16	Sichuan Guang'an Power Generation Company Limited ("Guang'an Company")	2,400	80%	2 x 600MW + 4 x 300MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Combination of generating units
17	Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("Za-gunao Hydroelectric Company")	591	64%	3 x 65MW + 3 x 56MW + 3 x 46MW + 3 x 30MW
18	Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660MW
19	Huadian Luohe Power Generation Company Limited ("Luohe Company")	660	75%	2 x 330MW
20	Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	1,260	97%	2 x 630MW
21	Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	1,320	65%	2 x 660MW
22	Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	25	78%	2 x 12.5MW
23	Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company")	399	100%	262 x 1.5MW + 2 x 3MW
24	Huadian Kezuozhongqi Wind Power Company Limited ("Kezuozhongqi Wind Power Company")	49.5	100%	33 x 1.5MW
25	Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company")	1,435	64%	3 x 390MW + 1 x 135MW + 1 x 130MW
26	Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	1,100	82%	2 x 300MW + 2 x 200MW + 4 x 25MW
27	Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company")	100.5	100%	67 x 1.5MW
28	Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("Hebei Hydropower Company")	57	100%	1 x 16MW + 2 x 15MW + 1 x 11MW

	Name of power plant/company	Installed capacity (MW)	Equity interest held by the Company	Combination of generating units
29	Hebei Huarui Energy Group Corporation Limited ("Huarui Company") (Note 1)	1,585	100%	—
30	Shaoguan City Pingshi Electric Power Plant Company Limited (B Plant) ("Pingshi Power Company")	725	100%	2 x 300MW + 1 x 125MW
	Total controlled installed capacity (Note 2)	<u>28,708.5</u>		
	Total interested installed capacity (Note 3)	<u>24,845.41</u>		

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

Note 2: The controlled installed capacity of the Group refers to the total installed capacity of the Company and its subsidiaries.

Note 3: This is the installed capacity of the Company and companies controlled or invested by the Company as at the date of this report, which was aggregated based on the respective percentage of equity interests held by the Company.

Newly-installed Capacity

During the Period, generating units with an aggregate capacity of 2,389.5MW were put into operation by the Group:

Project Name	Capacity (MW)
Phase II of Lingwu Company	2,120
Kezuozhongqi Wind Power Company	49.5
Za-gunao Hydroelectric Company	121
Beiqinghe Phase II	<u>99</u>
Total	<u>2,389.5</u>

Projects under Construction

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

Name of project under construction	Planned installed capacity
Huadian Laizhou Power Generation Company Limited ("Laizhou Company")	2 x 1,000MW generating units
Anhui Huadian Lu'an Power Generation Company Limited ("Lu'an Company")	1 x 600MW generating unit
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Company")	2 x 300MW heat-power co-generating units
Qudong Power Generation Company Limited ("Qudong Company")	2 x 300MW heat-power co-generating units
Zibo Company Expansion Project	2 x 300MW heat-power co-generating units
Sichuan Huadian Luding Hydropower Company Limited	4 x 230MW hydroelectric generating units
Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company")	49.5MW wind power generating units
Ningdong Wind Power Company Phase III, Phase IV, Phase V and Phase VI projects	198MW wind power generating units
Phase I and Phase II projects of Ningxia Yueliangshan Wind Power Company	99MW wind power generating units
Hebei Huadian Yuzhou Wind Power Company Limited ("Yuzhou Wind Power Company")	49.5MW wind power generating units
Huanghualiang Wind Farm Project	
Yuzhou Wind Power Company	49.5MW wind power generating units
Zhenjiawan Wind Farm Project	
Huadian Ningxian Liupanshan Wind Power Company Limited Phase I and Phase II projects of Wuyuan Wind Farm in Haiyuan	99MW wind power generating units
Huadian Laizhou Wind Power Company Limited Jincheng Wind Power Project	48MW wind power generating units
Total	5,912.5MW

Preliminary Projects

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

Project name	Planned installed capacity
Expansion Project of Shiliquan Plant in Shandong	1 x 600MW generating unit
Tianjin Nanjiang Project	2 x 300MW heat-power co-generating units
Phase III Project of Qingdao Company in Shangdong	1 x 300MW heat-power co-generating unit
Phase II Project of Guyuan Wind Power Company in Hebei	100MW wind power generating units
Phase III Project of Guyuan Wind Power Company in Hebei	49.5MW wind power generating units
Phase I of Guyuan Xihutong Project in Hebei	49.5MW wind power generating units
Saibei Phase I Project in Zhangjiakou, Hebei	100MW wind power generating units
Saibei Phase II Project in Zhangjiakou, Hebei	49.5MW wind power generating units
Phase I of Caofeidian Offshore Project in Hebei	49.5MW wind power generating units
Phase II Project of Kangbao Wind Power Company in Hebei	49.5MW wind power generating units
Phase III Project of Kangbao Wind Power Company in Hebei	49.5MW wind power generating units
Phase I Wind Power Project of Kangbao Shipeng in Hebei	49.5MW wind power generating units
Nanhuashan Wind Power Project in Haiyuan, Ningxia	198MW wind power generating units
Phase I Project of Chifeng Gaojialiang in Inner Mongolia	47.5MW wind power generating units
Wuqing Distributed Energy Project in Tianjin	2 x 200MW gas-fired generating units
Banshan Natural Gas-fired Cogeneration Project in Hangzhou, Zhejiang	3 x 390MW gas-fired generating units
Xiasha Natural Gas-fired Cogeneration Project in Hangzhou, Zhejiang	2 x 100MW gas-fired generating units
Jiangdong Natural Gas-fired Cogeneration Project in Hangzhou, Zhejiang	2 x 390MW gas-fired generating units
Total	4,842 MW

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

MANAGEMENT DISCUSSION AND ANALYSIS

Macroeconomic Conditions and Electricity Demand

According to the statistics of the National Bureau of Statistics of China, in the first half of 2011, the gross domestic product ("GDP") of the PRC amounted to approximately RMB20,445.9 billion, representing an increase of 9.6% over the corresponding period in 2010 based on comparable prices. Power consumption of the whole society totalled 2,251.5 million MWh, representing an increase of approximately 12.19% over the corresponding period in 2010, of which the consumption by the primary, secondary and tertiary industries represented a year-on-year increase of approximately 5.91%, 11.91%, and 15.25%, respectively while the consumption by urban and rural residents represented a year-on-year increase of approximately 12.51%.

Turnover and Profit

During the Period, turnover of the Group amounted to approximately RMB26,397 million, representing an increase of approximately 21.10% over the corresponding period in 2010. This was mainly due to the growth in the volume of electricity sold and the rise in on-grid tariffs. Revenue generated from sale of electricity amounted to approximately RMB24,939 million, representing an increase of approximately 19.42% over the corresponding period in 2010. Revenue generated from sale of heat amounted to approximately RMB1,459 million, representing an increase of approximately 59.50% over the corresponding period in 2010.

During the Period, the Group's operating profit amounted to approximately RMB1,246 million, representing a decrease of approximately 0.21% from the corresponding period in 2010. Profit attributable to equity shareholders of the Company amounted to approximately RMB106 million. Earnings per share was approximately RMB0.016.

Major Operating Expenses

During the Period, the operating expenses of the Group amounted to approximately RMB25,152 million, representing an increase of approximately 22.39% over the corresponding period in 2010. This was mainly attributable to more power generation and higher coal prices.

During the Period, the fuel costs of the Group amounted to approximately RMB19,389 million, representing an increase of approximately 24.17% over the corresponding period in 2010. This was mainly attributable to the combined effects of more power generation and higher coal prices.

During the Period, depreciation and amortization expenses of the Group amounted to approximately RMB2,713 million, representing an increase of approximately 19.54% over the corresponding period in 2010. This was mainly due to the increase in depreciation expenses arising from the commencement of operation of new generating units and the newly acquired power enterprises.

Investment Income

Investment income of the Group amounted to RMB581 million for the Period, mainly due to the gain on dilution of equity interest in Huadian Coal Industry Group Co., Ltd.* (“Huadian Coal”). The Group effectively held 17.94% equity interest in Huadian Coal as at 31 December 2010. In March 2011, Huadian Coal received the capital contribution of RMB6 billion from its three strategic investors, and the effective equity interest of the Group in Huadian Coal was diluted to 12.56% upon completion of the capital contribution. As the strategic investors made the capital contribution at premium, the Group recognized approximately RMB568 million of gain on dilution of equity interest.

Finance Costs

During the Period, finance costs of the Group amounted to approximately RMB2,272 million, representing an increase of approximately 47.39% over the corresponding period in 2010. This was mainly attributable to the successive increase in the interest rates by the central bank, the expansion of the Group’s asset scale and the increase in loans.

Pledge and Mortgage of Assets

As at 30 June 2011, the Company’s subsidiaries, including Guang’an Company, Qingdao Company, Lingwu Company, Wuhu Company, Za-gunao Hydroelectric Company, Xinxiang Company, Suzhou Company and Zhongning Company, have altogether pledged their income stream in respect of the sale of electricity or trade receivables for sale of electricity as security for loans amounting to approximately RMB13,050 million. In addition, the 75% equity interest held by the Company in Pingshi Power Company was pledged as security for repayment of the bank loans guaranteed by Pingshi Power Company.

As at 30 June 2011, the generating units and relevant equipments of Pingshi Power Company were mortgaged to secure its loans amounting to RMB1,942 million.

Indebtedness

As at 30 June 2011, the total borrowings of the Group amounted to approximately RMB92,558 million, of which borrowings denominated in US dollar and Euro dollar amounted to approximately US\$222 million and EUR23 million, respectively. The liabilities to assets ratio was approximately 83.96%. In addition, the closing balance of short-term debenture payables and the medium-term notes payables (including those due within one year) of the Group amounted to approximately RMB3,065 million and RMB5,354 million, respectively.

Details of other loans of the Group and the Company as at 30 June 2011 are set out in note 19 to the interim financial report (prepared in accordance with the International Accounting Standard 34 “Interim Financial Reporting”).

Contingent Liabilities

As at 30 June 2011, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to RMB175 million to Sichuan Huayingshan Longtan Coal Power Company Limited, an associate of Guang'an Company; Zhongning Company provided guarantees to banks for loans amounting to RMB29.85 million to Ningxia Power Generation Company (Group) Limited. Save as disclosed above, the Group had no other material contingent liabilities.

Cash and Cash Equivalents

As at 30 June 2011, the Group had cash and cash equivalents of approximately RMB4,845 million.

Save as the information disclosed herein, information with respect to the Group's other matters as set out in paragraph 32 of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") (The Stock Exchange of Hong Kong Limited is referred as the "Hong Kong Stock Exchange") has not changed materially from that included in the Company's 2010 annual report.

BUSINESS OUTLOOK

Firstly, the Group's operation environment will be improved. It is expected in the second half of 2011, the overall national economy will maintain steady growth while power market demand will continue its stable and rapid growth momentum. The reinforced intervention of the government in the execution of key coal-fired power generation contracts has created favorable conditions for the Group to optimize its coal sourcing structure and contain coal prices. Further, adjustments to the Group's on-grid tariffs in most areas resulting in increased contribution margin of coal-fired generating units has provided significant supports for loss reduction and a turnaround for the Group.

Secondly, the Group's structural adjustment begins to show its effects. In the first half of 2011, our investments in the wind power sector and the coal sector both recorded good returns. The contribution of the wind power sector and the coal sector to the Group's profit is expected to keep on the rise.

Thirdly, with the further optimization of the energy consumption indicators of the Group's generating units, the competitiveness of the Group will be further enhanced. With the continued optimization of its energy consumption indicators, the Group has achieved notable results in consumption reduction through both management and technical improvement, and narrowed the gap with advanced generating units of the same type. This will inevitably boost the competitiveness of the Group's existing assets and procure favorable economic benefits for the Group.

SIGNIFICANT EVENTS

(1) Extraordinary General Meetings (“EGM”)

The Company held the 2011 first EGM on 22 February 2011. The resolution regarding the connected transaction in relation to the capital increase by the Company in China Huadian Corporation Finance Company Limited, the resolution regarding the connected transaction in relation to the disposal of certain equity interests in Huadian Coal Industry Group Co., Ltd. held by the Company to China Huadian Corporation, and the resolution regarding the amendments to the Articles of Association of the Company (including the amendments to the relevant codes) were considered and approved at the meeting.

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

The Company held its 2011 Second EGM on 26 July 2011. The resolution regarding the non-public issuance of shares and other six resolutions were considered and approved at the meeting.

For details, please refer to the announcement of the Company dated 20 May 2011, the circular dated 10 June 2011 and the voting results announcement of the 2011 Second EGM dated 26 July 2011.

(2) Proposed non-public issuance and placing of A Shares

On 20 May 2011, with the approval of the 26th meeting of the fifth session of the Board, the Company proposed to issue a maximum of 600,000,000 new A Shares for subscription by not more than 10 qualified investors (including China Huadian Corporation (“China Huadian”), the controlling shareholder of the Company) at a minimum subscription price of RMB3.69 per A Share. The net proceeds from the proposed placing will be not more than RMB2,100 million, which is intended to be used to fund construction of power supply and auxiliary projects of the Group, and replenish the Company’s working capital. The proposed placing was approved at the EGM of the Company on 26 July 2011. As at the date hereof, relevant work regarding the proposed placing is well in progress.

For details, please refer to the announcement of the Company dated 20 May 2011, the circular dated 10 June 2011 and the voting results announcement of the 2011 Second EGM dated 26 July 2011.

(3) Adjustment of on-grid tariffs

To compensate for part of the increased costs of coal-fired power generating plants due to increased coal prices and to mitigate their operational difficulties as well as to ensure normal and reasonable power supply, the National Development and Reform Commission appropriately adjusted the electricity price. Upon adjustment of the on-grid tariff, the on-grid tariff of the weighted average capacity of the Group's generating units would be increased by approximately RMB0.0171/KWh.

For details, please refer to the announcement of the Company dated 31 May 2011.

(4) Re-election of the Board and the Supervisory Committee.

The fifth session of the Board and of the Supervisory Committee of the Company will both expire upon conclusion of the 2010 annual general meeting. According to the requirements of relevant laws and the Articles of Association, the Company held the 2010 annual general meeting on 8 June 2011 at which 12 people including Mr. Yun Gongmin were elected as members of the sixth session of the Board of the Company, and Mr. Li Xiaopeng, Mr. Peng Xingyu, and employee representative, Mr. Chen Bin, were elected as members of the sixth session of the Supervisory Committee. The respective terms of the sixth session of the Board and the Supervisory Committee are three years.

For details, please refer to the announcement of the Company dated 30 March 2011 and the voting results of the annual general meeting dated 8 June 2011.

MATERIAL CONNECTED TRANSACTIONS

The connected transactions entered into by the Company during the period from 1 January 2011 to the date of this report under the Listing Rules are as follows:

Proposed Subscription of New A Shares by China Huadian

The Company entered into the agreement relating to subscription of new A Shares by China Huadian (the "CH Subscription Agreement") with China Huadian on 20 May 2011, which was approved at the EGM of the Company on 26 July 2011. Pursuant to the agreement, China Huadian will subscribe in cash at a subscription price of not less than RMB3.69 per A Share for not more than 90,000,000 new A Shares of par value of RMB1.00 each at a total subscription price of RMB332.1 million (assuming maximum subscription by China Huadian of 90,000,000 new A Shares under the CH Subscription Agreement). China Huadian shall subscribe the new A Shares at the same subscription price as the other investors who subscribe for the new A Shares pursuant to the proposed placing. Immediately after completion of the CH Subscription, China Huadian will hold in aggregate of not more than 3,286,923,853 Shares (including not more than 3,201,061,853 A Shares and 85,862,000 H Shares), representing approximately 44.59% (assuming full subscription and issuance of the maximum 600,000,000 new A Shares under the proposed placing) of the enlarged total issued share capital of the Company.

For details, please refer to the announcement of the Company dated 20 May 2011, the circular dated 10 June 2011 and the voting results announcement of 2011 Second EGM dated 26 July 2011.

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS

So far as the directors of the Company are aware, each of the following persons, not being a director, supervisor, chief executive or members of the senior management of the Company, had an interest or short position in the Company's shares or underlying shares (as the case may be) as at 30 June 2011 which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or was otherwise, as at 30 June 2011, interested in 5% or more of any class of the then issued share capital of the Company, or was, as at 30 June 2011, a substantial shareholder (as defined in the Listing Rules) of the Company:

Name of Shareholder	Class of Shares	Number of Shares Held	Approximate Percentage of Shareholding in the Company's Total Issued Share Capital	Equity Interest As at 30 June 2011	
				Approximate Percentage of Shareholding in the Company's Total Issued A Shares	Approximate Percentage of Shareholding in the Company's Total Issued H Shares
China Huadian	A Shares	3,111,061,853	45.95%	58.26%	—
	H Shares	85,862,000 (L) (Note 1)	1.27%	—	6.00%
Shandong International Trust Corporation	A Shares	800,766,729	11.83%	15.00%	—

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

Notes:

- H Shares held in the name of HKSCC Nominees Limited and directly held through its wholly-owned subsidiary, China Huadian Hong Kong Company Limited.

Save as disclosed above and so far as the directors are aware, as at 30 June 2011, no other person (other than the directors, supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's Shares or underlying Shares (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Listing Rules) of the Company.

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

As at 30 June 2011, none of the directors, supervisors, chief executives or members of the senior management of the Company and their respective associates had any interest or short position in the Shares, underlying Shares and/or debenture certificates (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such director, supervisor, chief executive or members of senior management of the Company was taken or deemed to have under such provisions of the SFO) or was (ii) required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise (iii) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the “Model Code”) as set out in Appendix 10 to the Listing Rules (which for this purpose shall be deemed to apply to the supervisors of the Company to the same extent as it applies to the directors of the Company).

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 30 June 2011, the Group’s deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material time deposits which could not be collected by the Group upon maturity.

MATERIAL LITIGATION

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

AUDIT COMMITTEE

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

CORPORATE GOVERNANCE PRACTICES

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

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

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

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

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

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

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

Yun Gongmin (Chairman, Non-executive Director), Chen Feihu (Vice Chairman, Non-executive Director), Chen Dianlu (Vice Chairman, Non-executive Director), Chen Jian-hua (Executive Director), Wang Yingli (Non-executive Director), Chen Bin (Non-executive Director), Zhong Tonglin (Executive Director), Chu Yu (Non-executive Director), Wang Yue sheng (Independent Non-executive Director), Wang Jixin (Independent Non-executive Director), Ning Jiming (Independent Non-executive Director) and Yang Jinguan (Independent Non-executive Director).

Interim Financial Report (International)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2011 (unaudited)**(Expressed in Renminbi)*

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Turnover	5	26,397,470	21,798,417
Operating expenses			
Fuel costs		(19,389,346)	(15,615,698)
Depreciation and amortisation		(2,712,570)	(2,269,263)
Major overhaul expenses		(342,125)	(188,997)
Repairs and maintenance		(389,011)	(248,744)
Personnel costs		(1,143,732)	(807,691)
Administrative expenses		(650,713)	(531,526)
Sales related taxes		(90,285)	(91,949)
Other operating expenses		(433,806)	(796,061)
		(25,151,588)	(20,549,929)
Operating profit		1,245,882	1,248,488
Investment income/(loss)	6	580,907	(5,283)
Other revenue and net income		199,916	129,185
Finance income		24,666	10,150
Finance cost	7	(2,271,787)	(1,541,324)
Share of profits less losses of associates		337,706	181,161
Share of profit of a jointly controlled entity		—	22,575
Profit before taxation	8	117,290	44,952
Income tax	9	(27,713)	(11,159)
Profit for the period carried forward		89,577	33,793

The notes on pages 25 to 43 form part of this interim financial report.

Interim Financial Report (International)

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

For the six months ended 30 June 2011 (unaudited)

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Profit for the period brought forward		89,577	33,793
Other comprehensive income for the period (after tax and reclassification adjustments):			
Available-for-sale securities: net movement in fair value reserve	10	<u>(2,344)</u>	<u>(22,160)</u>
Total comprehensive income for the period		<u>87,233</u>	<u>11,633</u>
Profit attributable to:			
Equity shareholders of the Company		105,703	25,813
Non-controlling interests		<u>(16,126)</u>	<u>7,980</u>
Profit for the period		<u>89,577</u>	<u>33,793</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		103,448	4,169
Non-controlling interests		<u>(16,215)</u>	<u>7,464</u>
Total comprehensive income for the period		<u>87,233</u>	<u>11,633</u>
Basic and diluted earnings per share	11	<u>RMB0.016</u>	<u>RMB0.004</u>

The notes on pages 25 to 43 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED BALANCE SHEET

As at 30 June 2011 (unaudited)

(Expressed in Renminbi)

		At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	12	88,967,218	79,401,144
Construction in progress	13	18,533,336	23,146,683
Lease prepayments		1,533,804	1,447,561
Intangible assets	14	4,954,886	4,764,132
Interest in associates		9,758,128	9,041,315
Interest in a jointly controlled entity		—	227,237
Other investments		305,407	304,282
Other non-current assets	15	743,296	339,203
Deferred tax assets		324,203	285,109
		125,120,278	118,956,666
Current assets			
Inventories		2,863,203	1,760,239
Trade debtors and bills receivable	16	4,568,994	3,980,674
Deposits, other receivables and prepayments		3,172,673	2,531,283
Tax recoverable		72,798	66,101
Restricted deposits	17	94,451	30,678
Cash and cash equivalents	18	4,844,547	1,235,758
		15,616,666	9,604,733

The notes on pages 25 to 43 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2011 (unaudited)
(Expressed in Renminbi)

		At 30 June 2011	At 31 December 2010
	Note	RMB'000	RMB'000
Current liabilities			
Bank loans		25,755,776	23,266,864
Loans from shareholders		1,697,390	2,000,000
State loans		23,926	13,401
Other loans	19	9,275,282	6,284,470
Short-term debentures payable		3,064,696	3,008,983
Amount due to the parent company		81,729	79,165
Obligations under finance lease	20	56,392	—
Trade creditors and bills payable	21	7,654,215	7,739,963
Other payables	22	5,601,443	4,203,566
Tax payable		27,732	63,815
		<u>53,238,581</u>	<u>46,660,227</u>
Net current liabilities		<u>(37,621,915)</u>	<u>(37,055,494)</u>
Total assets less current liabilities carried forward		87,498,363	81,901,172

The notes on pages 25 to 43 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 30 June 2011 (unaudited)

(Expressed in Renminbi)

	Note	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Total assets less current liabilities brought forward		87,498,363	81,901,172
Non-current liabilities			
Bank loans		47,291,887	43,915,573
Loans from shareholders		1,579,816	1,371,375
State loans		97,840	103,699
Other loans	19	6,836,297	4,769,347
Medium-term notes		3,857,684	5,346,441
Obligations under finance lease	20	193,608	—
Long-term payables		1,190,242	1,234,710
Deferred government grants		654,730	650,991
Deferred income		904,353	577,866
Deferred tax liabilities		2,323,663	2,068,349
		64,930,120	60,038,351
Net assets		22,568,243	21,862,821
Capital and reserves			
Share capital		6,771,084	6,771,084
Reserves		9,510,362	9,404,887
Total equity attributable to equity shareholders of the Company		16,281,446	16,175,971
Non-controlling interests		6,286,797	5,686,850
Total equity		22,568,243	21,862,821

Approved and authorised for issue by the board of directors on 18 August 2011.

Chen Jianhua
Director

Zhong Tonglin
Director

The notes on pages 25 to 43 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2011 (unaudited)**(Expressed in Renminbi)*

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Statutory surplus	Discretionary surplus	Revaluation reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
			reserve	reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2010	6,771,084	4,631,340	1,417,924	68,089	44,726	22,007	3,131,012	16,086,182	5,218,976	21,305,158
Changes in equity for the six months ended 30 June 2010:										
Profit for the period	—	—	—	—	—	—	25,811	25,811	7,980	33,791
Other comprehensive income (Note 10)	—	—	—	—	—	(21,644)	—	(21,644)	(516)	(22,160)
Total comprehensive income for the period	—	—	—	—	—	(21,644)	25,811	4,167	7,464	11,631
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	64,470	64,470
Acquisition of non-controlling interests	—	—	—	—	—	—	(9,351)	(9,351)	(36,503)	(45,854)
Contribution from the parent company	—	21,380	—	—	—	—	—	21,380	651	22,031
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	337,581	337,581
Dividends approved for equity shareholders of the Company	—	—	—	—	—	—	(236,988)	(236,988)	—	(236,988)
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(68,067)	(68,067)
Balance at 30 June 2010	6,771,084	4,652,720	1,417,924	68,089	44,726	363	2,910,484	15,865,390	5,524,572	21,389,962

The notes on pages 25 to 43 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2011 (unaudited)

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Capital reserve	Statutory surplus	Discretionary surplus	Revaluation reserve	Fair value reserve	Retained profits			
			reserve	reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 30 June 2010 and 1 July 2010	6,771,084	4,652,720	1,417,924	68,089	44,726	363	2,910,484	15,865,390	5,524,572	21,389,962
Changes in equity for the six months ended 31 December 2010:										
Profit for the period	—	—	—	—	—	—	144,086	144,086	(91,992)	52,094
Other comprehensive income	—	—	—	—	—	4,996	—	4,996	439	5,435
Total comprehensive income for the period	—	—	—	—	—	4,996	144,086	149,082	(91,553)	57,529
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	257,668	257,668
Contribution from the parent company	—	3,389	—	—	—	—	—	3,389	856	4,245
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(1,403)	(1,403)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	(3,290)	(3,290)
Others	—	158,110	—	—	—	—	—	158,110	—	158,110
Appropriation	—	—	47,541	—	—	—	(47,541)	—	—	—
Balance at 31 December 2010	6,771,084	4,814,219	1,465,465	68,089	44,726	5,359	3,007,029	16,175,971	5,686,850	21,862,821

The notes on pages 25 to 43 form part of this interim financial report.

Interim Financial Report (International)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended 30 June 2011 (unaudited)

(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Statutory	Discretionary	Revaluation reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
			surplus reserve	surplus reserve						
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at 1 January 2011	6,771,084	4,814,219	1,465,465	68,089	44,726	5,359	3,007,029	16,175,971	5,686,850	21,862,821
Changes in equity for the six months ended 30 June 2011:										
Profit for the period	—	—	—	—	—	—	105,703	105,703	(16,126)	89,577
Other comprehensive income (Note 10)	—	—	—	—	—	(2,255)	—	(2,255)	(89)	(2,344)
Total comprehensive income for the period	—	—	—	—	—	(2,255)	105,703	103,448	(16,215)	87,233
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	182,478	182,478
Acquisition of control over a jointly controlled entity (Note 26)	—	—	—	—	—	—	—	—	240,248	240,248
Acquisition of subsidiaries (Note 27)	—	—	—	—	—	—	—	—	272,204	272,204
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(78,768)	(78,768)
Others	—	2,027	—	—	—	—	—	2,027	—	2,027
Balance at 30 June 2011	6,771,084	4,816,246	1,465,465	68,089	44,726	3,104	3,112,732	16,281,446	6,286,797	22,568,243

The notes on pages 25 to 43 form part of this interim financial report.

Interim Financial Report (International)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 30 June 2011 (unaudited)**(Expressed in Renminbi)*

	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Cash (used in)/generated from operations		(129,154)	2,407,001
Tax paid		(81,222)	(67,971)
Net cash (used in)/generated from operating activities		(210,376)	2,339,030
Net cash used in investing activities		(5,931,822)	(8,903,351)
Net cash generated from financing activities		9,750,987	7,101,716
Increase in cash and cash equivalents		3,608,789	537,395
Cash and cash equivalents at 1 January		1,235,758	1,241,900
Cash and cash equivalents at 30 June	18	4,844,547	1,779,295

The notes on pages 25 to 43 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Renminbi)

1 Background

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

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

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, “*Interim financial reporting*”, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 18 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 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 thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”) promulgated by the IASB. IFRSs include all applicable IFRSs, IASs and related interpretations.

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 44.

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 legal office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2011.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***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. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised), *Related party disclosure*
- Improvements to IFRSs (2010)

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

As a result of the adoption of revised IAS 24, additional disclosures on commitments with related parties have been included in this interim financial report. In addition, this revised standard introduces a partial exemption for transactions with government-related enterprises. Those disclosures are replaced with requirements to disclose the name of related government and the nature of its relationship with the Group, the natures and amounts of any individually significant transactions, and qualitative or quantitative disclosures for collectively significant transactions. Consequently, related disclosures have been revised in this interim financial report.

Improvements to IFRSs have had no material impact on the contents of this interim financial report.

4 Segment reporting

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

5 Turnover

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Sale of electricity	24,938,951	20,883,986
Sale of heat	1,458,519	914,431
	26,397,470	21,798,417

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***6 Investment income/(loss)**

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Gain on dilution of an associate <i>(Note (i))</i>	567,896	—
Loss on disposal of an associate	—	(13,031)
Gain on step acquisition <i>(Note 26)</i>	13,011	—
Dividend income from unlisted securities	—	7,748
	580,907	(5,283)

Notes:

- (i) Huadian Coal Industry Group Company Limited ("Huadian Coal") is an associate of the Group and the Group effectively held 17.94% equity interest in Huadian Coal. In 2011, three strategic investors participated in the capital enlargement of Huadian Coal with total capital injection of RMB6,000,000,000. As a result of the capital injection, the Group's effective equity interest in Huadian Coal has been diluted to 12.56% and a gain on the dilution of RMB567,896,000 has been recognised.

7 Finance costs

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Interest on loans and other financial liabilities	2,705,990	1,889,966
Less: interest capitalised	(394,460)	(320,425)
	2,311,530	1,569,541
Net foreign exchange gain	(43,964)	(31,364)
Other finance costs	4,221	3,147
	2,271,787	1,541,324

The interest costs have been capitalised at an average rate of 5.51 % per annum (six months ended 30 June 2010: 5.02%) for construction in progress.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***8 Profit before taxation**

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Cost of inventories	20,163,921	16,106,146
Amortisation		
— lease prepayments	24,736	22,604
— intangible assets	63,862	3,422
Depreciation	2,623,972	2,243,237
Reversal of impairment loss on trade and other receivables	—	(6,362)
Operating lease charges in respect of land and buildings	45,849	48,698
Government grants included in other net income	(104,767)	(82,704)
Gain on disposal of property, plant and equipment	(2,223)	(799)
Research and development costs	834	100
	20,814,882	18,718,472

9 Income tax

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Current tax		
Charge for the PRC enterprise income tax for the period	37,752	68,170
Under-provision in respect of previous years	381	932
	38,133	69,102
Deferred taxation		
Origination and reversal of temporary differences	(10,420)	(57,943)
	27,713	11,159

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***9 Income tax (Continued)**

The charge for PRC enterprise income tax is calculated at the statutory rate of 25% (six months ended 30 June 2010: 25%) on the estimated assessable profits of the Group for the six months ended 30 June 2011 determined in accordance with relevant enterprise income tax rules and regulations, except for certain subsidiaries of the Company which are tax exempted or taxed at a preferential rate of 12.5% (six months ended 30 June 2010: 7.5% or 15%).

10 Other comprehensive income

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Available-for-sale securities		
Changes in fair value recognised during the period	(2,237)	(27,014)
Net deferred tax (debited)/credited to other comprehensive income	(107)	4,854
Net movement in the fair value reserve during the period recognised in other comprehensive income	(2,344)	(22,160)

11 Earnings per share**(a) Basic earnings per share**

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the six months ended 30 June 2011 of RMB105,703,000 (six months ended 30 June 2010: RMB25,813,000) and the number of shares in issue during the six months ended 30 June 2011 of 6,771,084,200 (six months ended 30 June 2010: 6,771,084,200).

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the six months ended 30 June 2011 and 2010.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***12 Property, plant and equipment**

During the six months ended 30 June 2011, the Group acquired items of property, plant and equipment of approximately RMB12,194 million (six months ended 30 June 2010: approximately RMB11,755 million), of which the portions acquired through transfer from construction in progress and through acquisition of control over a jointly controlled entity and subsidiaries were approximately RMB9,771 million (six months ended 30 June 2010: approximately RMB6,642 million) and RMB2,415 million (six months ended 30 June 2010: approximately RMB5,087 million), respectively.

13 Construction in progress

The acquisition and transfer of items of construction in progress during the six months ended 30 June 2011 and 2010 are as follows:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Additions	5,157,895	5,379,567
Addition through acquisition of subsidiaries	—	1,177,320
Transfer to property, plant and equipment	(9,771,242)	(6,642,414)
	5,157,895	5,379,567

14 Intangible assets

Intangible assets mainly represent goodwill arising from business combinations of RMB963 million (31 December 2010: RMB963 million), land use rights of RMB902 million (31 December 2010: RMB835 million) assigned by the PRC's land bureau with indefinite land use period and concession assets to operate wind power of RMB3,076 million (31 December 2010: RMB2,952 million) granted by the government under service concession arrangements.

15 Other non-current assets

	At 30 June	At 31 December
	2011	2010
	RMB'000	RMB'000
Prepayments for investments	656,922	270,810
Other long-term receivables	86,374	68,393
	743,296	339,203

Other long-term receivables are neither past due nor impaired and bear interest at 5.76% or 6.65% per annum (31 December 2010: 5.76%).

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***16 Trade debtors and bills receivable**

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Trade debtors and bills receivable for sale of electricity	4,265,228	3,752,420
Trade debtors and bills receivable for sale of heat	317,669	234,386
Trade debtors and bills receivable for other operations	6,007	13,778
	4,588,904	4,000,584
Less: allowance for doubtful debts	(19,910)	(19,910)
	4,568,994	3,980,674

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

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Current	3,936,718	3,807,966
Less than 1 year past due	627,392	165,642
1 to 2 years past due	3,871	2,493
2 to 3 years past due	—	—
More than 3 years past due	1,013	4,573
Amount past due	632,276	172,708
	4,568,994	3,980,674

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***17 Restricted deposits**

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

18 Cash and cash equivalents

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Cash at bank and in hand	2,694,648	630,937
Cash at other financial institutions	2,129,649	574,513
Deposits with banks and other financial institutions due within three months	20,250	30,308
	4,844,547	1,235,758

19 Other loans

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Loans from an associate	9,115,857	8,118,217
Loans from fellow subsidiaries	550,000	80,000
Loans from trust companies	6,445,722	2,855,600
	16,111,579	11,053,817

Loans from trust companies were of interest rate mainly ranging from 4.67% to 6.80% per annum as at 30 June 2011 (31 December 2010: 4.62% to 5.60%), with maturities from 2011 to 2017.

All of the other loans are unsecured except for amounts totalling RMB416,492,000 (31 December 2010: RMB428,292,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity of these subsidiaries.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***20 Obligations under finance leases**

The Group had obligations under finance leases repayable as follows:

	At 30 June 2011	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	56,392	58,547
After 1 year but within 2 years	53,095	58,547
After 2 years but within 5 years	140,513	175,644
	193,608	234,191
	<u>250,000</u>	292,738
Less: total future interest expenses		(42,738)
Present value of finance lease obligations		<u>250,000</u>

In June 2011, the Group entered into an agreement with a leasing company to sell certain of the Group's facilities to the leasing company and leaseback the facilities for a 5-year period. The Group has an option to purchase the facilities at a nominal price of RMB1 at the end of the lease period. As at 30 June 2011, the net book value of the facilities held under finance lease included in property, plant and equipment amounted to RMB252,500,000.

21 Trade creditors and bills payable

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

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***22 Other payables**

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Quality guarantee deposits	1,232,309	1,227,356
Current portion of medium-term notes	1,496,785	—
Consideration payables on acquisitions	397,801	276,237
Dividend payables to non-controlling equity owners of subsidiaries	12,362	7,664
Interest payables	320,636	293,739
Wages payable	240,678	130,193
Payables for coal mine resources	628,049	628,049
Others	1,272,823	1,640,328
	5,601,443	4,203,566

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

23 Dividends

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

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

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

	Six months ended 30 June 2011 RMB'000	2010 RMB'000
Final dividend in respect of the previous financial year ended 31 December 2010, approved during the following interim period, of RMB Nil per share (year ended 31 December 2009: RMB0.035 per share)	—	236,988

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***24 Capital commitments outstanding not provided for in the interim financial report**

The Group had capital commitments outstanding as at 30 June 2011 and 31 December 2010 not provided for as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Contracted for		
— Development of power plants	11,015,789	12,977,153
— Investments	1,578,300	615,000
— Improvement projects and others	903,164	192,283
	13,497,253	13,784,436
Authorised but not contracted for		
— Development of power plants	9,209,308	14,096,313
— Improvement projects and others	760,510	640,948
	9,969,818	14,737,261
	23,467,071	28,521,697

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***25 Material related party transactions****(a) Transactions with shareholders, fellow subsidiaries and associates**

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

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

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***25 Material related party transactions *(Continued)*****(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)***

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the six months ended 30 June 2011 and 2010:

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Construction costs and equipment costs to fellow subsidiaries	29,173	27,758
Interest expenses to shareholders	82,892	95,310
Interest expenses to an associate	247,067	112,475
Interest expenses to fellow subsidiaries	14,570	5,551
Interest income from an associate	15,070	5,837
Loans obtained from shareholders	925,834	1,022,541
Loans obtained from an associate	3,460,000	2,370,000
Loans obtained from fellow subsidiaries	550,000	1,050,000
Loans repaid to shareholders	1,000,000	834,310
Loans repaid to an associate	2,462,360	1,361,840
Loans repaid to fellow subsidiaries	80,000	50,000
Service fee to an associate	20,739	34,013
Agency fee to a fellow subsidiary	280	760
Properties rental and management fees to fellow subsidiaries	28,031	28,031
Sale of electricity rights to associates	5,949	76,038
Freight to an associate	14,618	—
Purchase of electricity from associates	31,333	216,638
Purchase of coal from an associate	714,642	—

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***25 Material related party transactions *(Continued)*****(a) Transactions with shareholders, fellow subsidiaries and associates *(Continued)***

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

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Prepaid construction and equipment costs to fellow subsidiaries	57,725	91,760
Construction and equipment costs to fellow subsidiaries	(80,488)	(51,628)
Prepaid freight to an associate	5,025	1,007
Prepaid coal cost to an associate	40,628	—
Loans from shareholders	(3,297,209)	(3,371,375)
Loans from an associate	(9,115,857)	(8,118,217)
Loans from fellow subsidiaries	(550,000)	(80,000)
Loan to associates	69,316	48,068
Deposits with an associate	2,149,899	604,821
Trade receivables from associates	6,960	11,584
Trade payables to associates	(72,983)	(1,115)
Other payable to a shareholder	(81,729)	(79,165)

- (i) At 30 June 2011, Sichuan Guang'an Power Generation Company Limited, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company amounting to RMB175,457,000 (31 December 2010: RMB175,457,000).
- (ii) At 30 June 2011, Ningxia Zhongning Power Generation Company Limited ("Zhongning Power"), a subsidiary of the Group, provided guarantees to banks for loans granted to Ningxia Power Company amounting to RMB29,850,000 (31 December 2010: RMB Nil).
- (iii) At 30 June 2011, China Huadian provided guarantees to banks for loans granted to the Group amounting to RMB134,570,000 (31 December 2010: RMB132,568,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***25 Material related party transactions *(Continued)*****(b) Transactions with key management personnel**

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

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
Salaries and other emoluments	386	376
Retirement benefits	230	217
Bonuses	1,311	1,321
	1,927	1,914

(c) Contributions to defined contribution retirement plans

The Group participates in various defined contribution retirement plans organised by municipal and provincial governments and China Huadian for its staff. As at 30 June 2011 and 31 December 2010, there was no material outstanding contribution to post-employment benefit plans.

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

China Huadian is a PRC state-owned enterprise. Government-related entities, other than entities under China Huadian, over which the PRC government has control, joint control or significant influence are also considered as related parties of the Group ("other government-related entities"). The majority of the business activities of the Group are conducted with other government-related entities.

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

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***25 Material related party transactions (Continued)****(d) Transactions with other government-related entities in the PRC (Continued)**

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

— sale of electricity to the grid

The Group sells substantially all its electricity to local government-related power grid companies, and the tariff of electricity is regulated by relevant government. For the six months ended 30 June 2011, management estimates that the aggregate amount of the Group's significant transactions with other government-related entities are at least 95% of its sale of electricity.

— depositing and borrowing

The Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China. As at 30 June 2011, management estimates that the ending balance of deposits in and the loans payables to other government-related entities are at least 50% and 70%, respectively, of its total deposits and loans.

— other transactions

Other collectively significant transactions with other government-related entities also included a large portion of fuel purchases, and property, plant and equipment construction. The pricing and the selection of suppliers and service providers are not dependent on whether the counterparties are government-related entities or not.

(e) Commitment with related parties

Commitment with related parties is as follows:

	At 30 June 2011 RMB'000	At 31 December 2010 RMB'000
Capital commitment	149,952	85,427
Commitment on properties rental and management fees	42,046	70,077

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***26 Acquisition of control over a jointly controlled entity**

Zhongning Power, in which the Company has 50% equity interest, previously was a jointly controlled entity of the Company. Pursuant to the cooperation agreement entered into between the Company and Ningxia Power Company, the joint venturer of Zhongning Power, the two parties agreed that the Company shall have control over the financial and operating decisions of Zhongning Power from 1 January 2011 (the "acquisition date"). Management of the Company believes that the Company could control Zhongning Power for a sufficient period of time so as to obtain benefits from Zhongning Power's activities and hence Zhongning Power became a subsidiary of the Company since the acquisition date.

The acquisition of Zhongning Power is expected to improve the operating results of the Group in Ningxia area and therefore may contribute to better return to the shareholders of the Company.

Consideration transferred

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

Identifiable assets acquired and liabilities assumed:

	<i>RMB'000</i>
Trade debtors and other receivables	130,043
Inventories	56,977
Other investments	7,323
Property, plant and equipment	1,679,300
Lease prepayments	58,610
Long-term receivables	20,000
Cash and cash equivalents	29,791
Bank loans	(1,175,000)
Loan from shareholders	(200,000)
Trade creditors and other payables	(68,541)
Deferred tax liabilities	(58,007)
	<hr/>
Total identifiable net assets	480,496
	<hr/> <hr/>

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***26 Acquisition of control over a jointly controlled entity *(Continued)***

The trade and other receivables comprise gross contractual amounts due of RMB133,331,000 of which RMB3,288,000 was expected to be uncollectible at the acquisition date.

Goodwill

	<i>RMB'000</i>
Total consideration transferred	—
Fair value of existing interest in Zhongning Power	240,248
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	240,248
Fair value of identifiable net assets	(480,496)
Goodwill	—

The remeasurement to fair value of the Group's existing 50% interest in Zhongning Power resulted in a gain of RMB13,011,000 (RMB240,248,000 less RMB227,237,000 carrying value of the interest in Zhongning Power at acquisition date), which has been recognised in investment income (Note 6) in the consolidated statement of comprehensive income.

Acquisition-related costs

The Group incurred acquisition-related costs of RMB700,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

Interim Financial Report (International)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***27 Acquisition of subsidiaries**

On 27 May 2011, the Company obtained control of Anhui Wenhui New Products Promotion Company Limited ("Wenhui Company") and its subsidiary by acquiring 51% of the equity and voting interests at a total consideration of RMB283,315,000. On the date of acquisition, Wenhui Company and its subsidiary were still under construction period and did not carry out any business operation, therefore, the portfolios of the assets and liabilities acquired does not constitute a business. Consequently, the cost of acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the acquisition date.

The assets and liabilities of Wenhui Company and its subsidiary acquired by the Company are as follows:

	<i>RMB'000</i>
Trade debtors and other receivables	8,778
Property, plant and equipment	735,945
Cash and cash equivalents	108,298
Trade creditors and other payables	(128,977)
Deferred tax liabilities	(168,525)
	<u>555,519</u>
Attributable to:	
Equity shareholders of the Company	283,315
Non-controlling interests	272,204
	<u>555,519</u>

28 Accounting judgements and estimates

The Group believes that the critical accounting judgements and estimates on impairment for non-current assets, depreciation, impairment for bad and doubtful debts, deferred tax assets and useful life of land use rights as disclosed in the 2010 annual financial statements are material to an understanding of the current interim period.

Interim Financial Report (International)

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

Introduction

We have reviewed the interim financial report set out on pages 16 to 43 which comprises the consolidated balance sheet of Huadian Power International Corporation Limited as at 30 June 2011 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim financial reporting" issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 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

18 August 2011

Interim Financial Report (PRC)

BALANCE SHEET (UNAUDITED)

As at 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
Current assets					
Cash at bank and on hand	V. 1	4,938,998	1,266,436	706,639	156,819
Bills receivable	V. 2	427,621	118,623	442	2,310
Trade receivables	V. 3; X 1	4,141,373	3,862,051	607,920	667,595
Prepayments	V. 5	1,035,739	859,688	52,423	8,209
Other receivables	V. 4; X 2	667,184	600,709	2,564,482	2,651,036
Inventories	V. 6	2,863,203	1,760,239	563,675	336,178
Dividends receivable		—	—	148,091	—
Other current assets	V. 7	1,542,548	1,136,987	158,684	38,019
Total current assets		15,616,666	9,604,733	4,802,356	3,860,166
Non-current assets					
Available-for-sale					
financial assets	V. 8	43,335	42,906	—	—
Long-term receivables	V. 9; X 3	86,374	68,393	447,309	501,122
Long-term equity investments	V. 10; X 4	10,003,216	9,512,944	29,278,465	27,618,062
Fixed assets	V. 11	83,399,597	74,557,721	8,177,769	8,519,729
Construction in progress	V. 12	12,768,223	14,609,301	597,968	564,389
Construction materials	V. 13	389,269	879,631	—	—
Construction and construction material prepayments		5,455,174	7,657,751	108,999	97,842
Intangible assets	V. 14	10,479,767	9,543,341	137,712	144,122
Goodwill	V. 15	790,552	790,552	12,111	12,111
Deferred tax assets	V. 16	359,205	322,269	—	—
Other non-current assets	V. 17	656,922	270,810	635,310	270,810
Total non-current assets		124,431,634	118,255,619	39,395,643	37,728,187
Total assets		140,048,300	127,860,352	44,197,999	41,588,353

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

BALANCE SHEET (UNAUDITED) (CONTINUED)

As at 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
Current liabilities					
Short-term loans	V. 20	28,965,673	24,299,330	13,946,993	11,446,120
Bills payable	V. 21	1,340,184	2,208,011	320,000	857,129
Trade payables	V. 22	6,314,031	5,531,952	229,201	194,220
Advances from customers	V. 23	91,925	569,327	4,254	11,881
Wages payable	V. 24	240,678	130,193	19,334	9,727
Taxes payable	V. 25	292,563	270,335	23,471	22,956
Interests payable	V. 26	320,636	293,739	144,733	143,327
Dividends payable		12,362	7,664	—	—
Other payables	V. 27	3,118,988	2,931,861	574,476	480,555
Short-term debentures payable	V. 28	3,064,696	3,008,983	3,064,696	3,008,983
Non-current liabilities due within one year	V. 29	9,476,845	7,408,832	2,964,980	1,824,780
Total current liabilities		53,238,581	46,660,227	21,292,138	17,999,678
Non-current liabilities					
Long-term loans	V. 30	55,805,840	50,159,994	3,129,851	2,671,538
Debentures payable	V. 31	3,857,684	5,346,441	3,857,684	5,346,441
Long-term payables	V. 32	1,383,850	1,234,710	—	—
Special payables		8,020	8,020	6,500	6,500
Deferred tax liabilities	V. 16	2,217,249	1,960,728	47,250	47,250
Other non-current liabilities	V. 33	1,239,879	903,034	18,640	19,091
Total non-current liabilities		64,512,522	59,612,927	7,059,925	8,090,820
Total liabilities		117,751,103	106,273,154	28,352,063	26,090,498

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

BALANCE SHEET (UNAUDITED) (CONTINUED)

As at 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		30 June 2011	31 December 2010	30 June 2011	31 December 2010
Shareholders' equity					
Share capital	V. 34	6,771,084	6,771,084	6,771,084	6,771,084
Capital reserve	V. 35	4,512,200	4,512,428	4,393,490	4,393,875
Surplus reserve	V. 36	1,533,554	1,533,554	1,533,554	1,533,554
Retained profits	V. 37	3,228,703	3,109,795	3,147,808	2,799,342
Total equity attributable to equity shareholders of the Company		16,045,541	15,926,861	15,845,936	15,497,855
Minority interests		6,251,656	5,660,337	—	—
Total shareholders' equity		22,297,197	21,587,198	15,845,936	15,497,855
Total liabilities and shareholders' equity		140,048,300	127,860,352	44,197,999	41,588,353

These financial statements have been approved by the Board of Directors on 18 August 2011.

Yun Gongmin
Legal representative

Chen Cunlai
*The person in charge
of accounting affairs*

Wang Huiping
*The head of the
accounting department*

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

INCOME STATEMENT (UNAUDITED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months ended		Six months ended	
		2011	2010	2011	2010
Operating income	V. 38; X 5	26,496,506	21,868,629	4,136,659	4,340,024
Less: Operating costs	V. 38	24,370,695	19,919,365	3,994,564	4,048,732
Sales taxes and surcharges	V. 39; X 5	95,481	93,628	18,666	27,813
Administrative expenses	V. 40	736,311	566,142	181,781	194,456
Finance expenses	V. 41	2,247,121	1,531,174	591,084	360,741
Impairment reversal	V. 43	—	(6,362)	—	—
Add: Investment income	V. 42; X 6	918,613	211,483	998,146	258,862
Including: income from associates and joint venture		337,706	203,736	272,552	153,004
Operating (losses)/profit		(34,489)	(23,835)	348,710	(32,856)
Add: Non-operating income	V. 44	166,531	92,240	1,038	6,517
Less: Non-operating expenses	V. 45	6,810	1,452	1,278	381
Including: losses on disposal of non-current assets		11	—	—	—
Total profit/(losses)		125,232	66,953	348,470	(26,720)
Less: Income tax	V. 46	31,078	17,830	4	7,023
Net profit/(losses)		94,154	49,123	348,466	(33,743)
Attributable to:					
Equity shareholders of the Company		118,908	35,359	348,466	(33,743)
Minority interests		(24,754)	13,764	—	—

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

INCOME STATEMENT (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months ended		Six months ended	
		2011	2010	2011	2010
Earnings per share (RMB):					
Basic earnings per share	V. 47	<u>0.018</u>	<u>0.005</u>	<u>—</u>	<u>—</u>
Diluted earnings per share	V. 47	<u>0.018</u>	<u>0.005</u>	<u>—</u>	<u>—</u>
Add: Other comprehensive income	V. 48	<u>(2,344)</u>	<u>(22,160)</u>	<u>(2,418)</u>	<u>(6,173)</u>
Total comprehensive income		<u>91,810</u>	<u>26,963</u>	<u>346,048</u>	<u>(39,916)</u>
Attributable to:					
Equity shareholders of the Company		116,653	13,715	—	—
Minority interests		(24,843)	13,248	—	—

These financial statements have been approved by the Board of Directors on 18 August 2011.

Yun Gongmin
Legal representative

Chen Cunlai
The person in charge
of accounting affairs

Wang Huiping
The head of the
accounting department

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
I. Cash flow from operating activities:					
Cash received from sale of goods and rendering of services		30,381,630	25,508,418	4,854,763	4,866,407
Refund of taxes		8,283	6,423	—	—
Other cash received relating to operating activities	V. 49(1)	170,199	107,284	39,750	43,977
Sub-total of cash inflow from operating activities		30,560,112	25,622,125	4,894,513	4,910,384
Cash paid for goods and services		(25,036,176)	(18,818,879)	(4,465,329)	(3,587,126)
Cash paid to and for employees		(1,046,048)	(891,111)	(255,567)	(271,497)
Cash paid for all types of taxes		(1,273,806)	(1,245,772)	(243,076)	(326,204)
Other cash paid relating to operating activities	V. 49(2)	(862,860)	(484,329)	(147,217)	(255,827)
Sub-total of cash outflow from operating activities		(28,218,890)	(21,440,091)	(5,111,189)	(4,440,654)
Net cash inflow/(outflow) from operating activities	V. 50(1); X 7	2,341,222	4,182,034	(216,676)	469,730

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

CASH FLOW STATEMENT (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
II. Cash flow from investing activities:					
Cash received from disposal of investments		—	11,700	—	—
Cash received from return on investments		170,781	130,839	161,558	58,063
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		8,277	1,441	295	1,195
Other cash received relating to investing activities	V. 49(3)	92,082	11,197	59,940	2,608
Sub-total of cash inflow from investing activities		271,140	155,177	221,793	61,866
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		(5,761,789)	(4,891,109)	(233,794)	(287,394)
Cash paid for acquisition of investments		(362,511)	(2,172,889)	(1,028,377)	(1,949,209)
Cash paid for acquisition of subsidiaries	V. 50(2)	(78,662)	(1,986,862)	(216,751)	(2,150,000)
Other cash paid relating to investing activities		—	(7,668)	(20,000)	(409,910)
Sub-total of cash outflow from investing activities		(6,202,962)	(9,058,528)	(1,498,922)	(4,796,513)
Net cash outflow from investing activities		(5,931,822)	(8,903,351)	(1,277,129)	(4,734,647)

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

CASH FLOW STATEMENT (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
III. Cash flow from financing activities:					
Cash received from investors		93,168	26,692	—	—
Including: cash received from minority shareholders of subsidiaries		93,168	26,692	—	—
Cash received from borrowings		32,454,196	27,132,809	12,592,415	11,705,890
Decrease in guarantee deposits of bank acceptance bills		11,555	3,406	—	—
Other cash received relating to financing activities	V. 49(4)	494,349	400,124	31	—
Sub-total of cash inflow from financing activities		33,053,268	27,563,031	12,592,446	11,705,890

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

CASH FLOW STATEMENT (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Note	The Group		The Company	
		Six months ended 30 June		Six months ended 30 June	
		2011	2010	2011	2010
Cash repayments of borrowings		(22,742,286)	(20,027,568)	(9,960,988)	(6,917,962)
Cash paid for dividends, profits distribution or interest		(2,561,764)	(1,867,043)	(567,324)	(362,727)
Including: dividends and profits paid to minority shareholders of subsidiaries		(9,595)	(24,039)	—	—
Increase in guarantee deposits of bank acceptance bills		(75,328)	(40,095)	—	—
Other cash paid relating to financing activities	V. 49(5)	(474,501)	(369,613)	(20,509)	(27,836)
Sub-total of cash outflow from financing activities		<u>(25,853,879)</u>	<u>(22,304,319)</u>	<u>(10,548,821)</u>	<u>(7,308,525)</u>
Net cash inflow from financing activities		<u>7,199,389</u>	<u>5,258,712</u>	<u>2,043,625</u>	<u>4,397,365</u>
IV. Net increase in cash and cash equivalents	V. 50(1); X 7	<u>3,608,789</u>	<u>537,395</u>	<u>549,820</u>	<u>132,448</u>
Add: Cash and cash equivalents at the beginning of the period		<u>1,235,758</u>	<u>1,241,900</u>	<u>156,819</u>	<u>193,186</u>
V. Cash and cash equivalents at the end of the period		<u>4,844,547</u>	<u>1,779,295</u>	<u>706,639</u>	<u>325,634</u>

These financial statements have been approved by the Board of Directors on 18 August 2011.

Yun Gongmin
Legal representative

Chen Cunlai
The person in charge
of accounting affairs

Wang Huiping
The head of the
accounting department

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Six months ended 30 June 2011					
	Attributable to shareholders' equity of the Company				Minority interests	Total equity
	Share capital	Capital reserve	Surplus reserve	Retained profits		
I. Balance at 31 December 2010/1 January 2011	6,771,084	4,512,428	1,533,554	3,109,795	5,660,337	21,587,198
II. Changes in equity for the period						
(I) Net profit	—	—	—	118,908	(24,754)	94,154
(II) Other comprehensive income	—	(2,255)	—	—	(89)	(2,344)
Sub-total	—	(2,255)	—	118,908	(24,843)	91,810
(III) Capital injection from minority shareholders to subsidiaries	—	—	—	—	182,478	182,478
(IV) Acquisition of subsidiaries	—	—	—	—	272,204	272,204
(V) Acquisition of control over joint venture	—	—	—	—	240,248	240,248
(VI) Distribution to minority shareholders of subsidiaries	—	—	—	—	(78,768)	(78,768)
(VII) Others	—	2,027	—	—	—	2,027
III. Closing balance of the period	6,771,084	4,512,200	1,533,554	3,228,703	6,251,656	22,297,197

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(CONTINUED)For the six months ended 30 June 2011
(Expressed in Renminbi'000)

Item	Six months ended 30 June 2010					
	Attributable to shareholders' equity of the Company					
	Share capital	Capital reserve	Surplus reserve	Retained profits	Minority interests	Total equity
I. Balance at 31 December 2009	6,771,084	4,258,129	1,486,013	3,169,574	5,160,300	20,845,100
Add: Changes in accounting policies	—	—	—	16,906	(16,906)	—
II. Balance at 1 January 2010	6,771,084	4,258,129	1,486,013	3,186,480	5,143,394	20,845,100
III. Changes in equity for the period						
(I) Net profit	—	—	—	35,359	13,764	49,123
(II) Other comprehensive income	—	(21,644)	—	—	(516)	(22,160)
Sub-total	—	(21,644)	—	35,359	13,248	26,963

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

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

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Six months ended 30 June 2010					
	Attributable to shareholders' equity of the Company					Total equity
	Share capital	Capital reserve	Surplus reserve	Retained profits	Minority interests	
(III) Acquisition of minority interests	—	(9,353)	—	—	(36,503)	(45,856)
(IV) Capital injection from minority shareholders to subsidiaries	—	—	—	—	64,470	64,470
(V) Acquisition of subsidiaries	—	—	—	—	337,581	337,581
(VI) Distributions to shareholders	—	—	—	(236,988)	—	(236,988)
(VII) Distribution to minority shareholders of subsidiaries	—	—	—	—	(68,067)	(68,067)
(VIII) Fair value adjustment of interest free loans granted by China Huadian Corporation	—	21,380	—	—	651	22,031
(IX) Capital contribution by the State	—	2,552	—	—	1,144	3,696
IV. Closing balance of the period	<u>6,771,084</u>	<u>4,251,064</u>	<u>1,486,013</u>	<u>2,984,851</u>	<u>5,455,918</u>	<u>20,948,930</u>

These financial statements have been approved by the Board of Directors on 31 August 2011.

Yun Gongmin
Legal representative

Chen Cunlai
*The person in charge
of accounting affairs*

Wang Huiping
*The head of the
accounting department*

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

Item	Six months ended 30 June 2011				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
I. Balance at 31 December 2010/1 January 2011	6,771,084	4,393,875	1,533,554	2,799,342	15,497,855
II. Changes in equity for the period					
(I) Net profit	—	—	—	348,466	348,466
(II) Other comprehensive income	—	(2,418)	—	—	(2,418)
Sub-total	—	(2,418)	—	348,466	346,048
(III) Others	—	2,033	—	—	2,033
III. Closing balance of the period	6,771,084	4,393,490	1,533,554	3,147,808	15,845,936

The notes on pages 59 to 220 form part of these financial statements.

Interim Financial Report (PRC)

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) (CONTINUED)

For the six months ended 30 June 2011

(Expressed in Renminbi'000)

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

These financial statements have been approved by the Board of Directors on 31 August 2011.

Yun Gongmin
Legal representative

Chen Cunlai
*The person in charge
of accounting affairs*

Wang Huiping
*The head of the
accounting department*

The notes on pages 59 to 220 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

(Expressed in Renminbi'000)

I. Company status

Huadian Power International Corporation Limited (hereinafter referred to as the "Company") is a joint stock company limited by shares established in Jinan, Shandong Province, the People's Republic of China (the "PRC") on 28 June 1994 and has its head office at No. 2 Xuanwumennei Street, Xicheng District, Beijing, the PRC. Its parent and ultimate holding company is China Huadian Corporation ("China Huadian").

The Company is a joint stock company limited by shares pursuant to the approval document (Ti Gai Sheng [1994] No. 76 - Reply on the approval for the establishment of Shandong International Power Development Company Limited) issued by the former State Commission for Economic Restructuring of the PRC. The Company had a registered share capital of RMB3,825,056,200, divided into 3,825,056,200 ordinary shares of RMB1 each. At the same date, the Company's joint promoters, namely Shandong Electric Power (Group) Corporation ("SEPCO"), Shandong International Trust Corporation ("SITC"), Shandong Luneng Development (Group) Company Limited, China Power Trust and Investment Company Limited and Zaozhuang City Infrastructure Investment Company, injected all assets (except parcels of land) and liabilities, together with certain construction in progress, of two power plants in Zouxian and Shiliquan of Shandong Province into the Company. In return, these joint promoters were being allotted the entire share capital mentioned above.

Pursuant to the document (Zheng Jian Fa [1998] No. 317) issued by the Securities Commission of the State Council on 15 December 1998, the Company was authorised to issue H shares and its registered share capital had been increased to 5,256,084,200 ordinary shares of RMB1 each, comprising of 3,825,056,200 domestic shares and 1,431,028,000 H shares. The Company's 1,431,028,000 H shares were successfully listed on The Stock Exchange of Hong Kong Limited in June 1999.

The Company changed its name from "Shandong International Power Development Company Limited" to "Huadian Power International Corporation Limited" pursuant to a resolution passed on the general meeting held on 24 June 2003. On 1 November 2003, the Company obtained a new business licence for body corporate (Qi Gu Lu Zong Zi No. 003922).

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB1 each. As a result, the registered capital of the Company was increased to RMB6,021,084,200. The RMB ordinary shares include 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares were listed on the Shanghai Stock Exchange on 3 February 2005. On 11 May 2005, the Company obtained a new business licence for body corporate regarding the new registered capital.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

I. Company status (Continued)

Pursuant to a resolution passed on the general meeting held on 30 June 2008, legal representative of the Company was changed to Yun Gongmin and a renewed business licence for body corporate (370000400001274) was obtained on 7 July 2008.

Pursuant to Guo Zi Chan Quan [2006] No.700 "Notice on Approval of the Share Reform of Huadian Power International Corporation Limited" issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company implemented a share reform (the "Share Reform") on 28 July 2006. All holders of non-circulating shares transferred 3 shares for every 10 shares held by the registered holders of circulating A shares as at the book closing date of the implementation of the Share Reform (28 July 2006) as consideration, totalling 170,700,000 shares. The totalling 3,850,356,200 original domestic shares held by the original domestic shareholders are circulated as at 6 August 2009.

In October 2009, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Xu Ke [2009] No. 1071, to issue 750,000,000 RMB ordinary shares with par value of RMB1 each. The registered capital of the Company was increased to RMB6,771,084,200. The Company completed the non-public issue on 1 December 2009. The 150,000,000 shares of shares issued shall not be transferred within 36 months from the date of completion of the non-public issue. On 18 June 2010, the Company obtained a new business licence for body corporate regarding the new registered capital.

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

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates

1 Basis of preparation

The financial statements have been prepared on the basis of going concern.

2 Statement of compliance

The financial statements have been prepared in accordance with the requirements of “Accounting Standards for Business Enterprises-Basic Standard” and 38 Specific Standards issued by the Ministry of Finance (MOF) of PRC on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as “Accounting Standards for Business Enterprises” or “CAS”). These financial statements present truly and completely the consolidated financial position and financial position, the consolidated results of operations and results of operations and the consolidated cash flows and cash flows of the Company.

These financial statements also comply with the disclosure requirements of “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15: General Requirements for Financial Reports” as revised by the China Securities Regulatory Commission (CSRC) in 2010.

3 Accounting period

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

4 Functional currency

The Company's functional currency is renminbi. These financial statements are presented in renminbi.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

5 Accounting treatments for a business combination involving entities under and those not under common control

(1) Business combinations involving enterprises under common control

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

(2) Business combinations involving enterprises not under common control

A business combination involving enterprises not under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties both before and after the business combination. Where 1) the aggregate of the fair value at the acquisition date of assets given (including the acquirer's previously held equity interest in the acquiree), and liabilities incurred or assumed, in exchange for control of the acquiree, exceeds 2) the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill (see Note II. 17). Where 1) is less than 2), the difference is recognised in profit or loss for the current period. Other acquisition-related costs arising from the business combination are recognised as expenses in the periods in which the costs are incurred. The difference between the fair value and the carrying amount of the assets transferred is recognised in profit or loss. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

The acquirer, at the acquisition date, allocates the cost of the business combination by recognising the acquiree's identifiable asset, liabilities and contingent liabilities at their fair value at that date.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**5 Accounting treatments for a business combination involving entities under and those not under common control (Continued)****(2) Business combinations involving enterprises not under common control (Continued)**

In a business combination, the acquiree's deductible temporary differences obtained by the Group are not recognised if the deductible temporary differences do not satisfy the criteria for recognition of deferred tax assets at the acquisition date. The acquirer shall recognise the relevant deferred tax assets and reduces goodwill accordingly if new information about facts that existed at the acquisition date is obtained within 12 months of the acquisition date and the facts prove that the obtained deferred tax benefit is expected to be realised in future periods. If the goodwill is insufficient to be deducted, any remaining deferred tax benefits shall be recognised in profit or loss for the current period. All other acquired deferred tax benefit realised shall be included in profit or loss for the current period.

6 Preparation of consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its operating activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises under common control, the financial statements of the subsidiary are included in the consolidated financial statements as if the combination had occurred at the date that the ultimate controlling party first obtained control. Therefore the opening balances and the comparative figures of the consolidated financial statements are restated. In the preparation of the consolidated financial statements, the subsidiary's assets, liabilities and results of operations are included in the consolidated balance sheet and the consolidated income statement, respectively, based on their carrying amounts, from the date that common control was established.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

6 Preparation of consolidated financial statements (Continued)

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets, liabilities and results of operations of the subsidiaries are consolidated into consolidated financial statements from the date that control commences, based on the fair value of those identifiable assets and liabilities at the acquisition date.

For a business combination not involving enterprises under common control and achieved in stages, the Group remeasures its previously-held equity interest in the acquiree to its fair value at the acquisition date. The difference between the fair value and the carrying amount is recognised as investment income for the current period; the amount recognised in other comprehensive income relating to the previously-held equity interest in the acquiree is reclassified as investment income for the current period.

Where the Company acquires a minority interest from a subsidiary's minority shareholders or disposes of a portion of an interest in a subsidiary without a change in control, the difference between the amount by which the minority interests are adjusted and the amount of the consideration paid or received is adjusted to the capital reserve in the consolidated balance sheet. If the credit balance of capital reserve is insufficient, any excess is adjusted to retained profits.

Minority interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to minority shareholders is presented separately in the consolidated income statement below the net profit line item.

When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**6 Preparation of consolidated financial statements (Continued)**

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

7 Cash and Cash equivalents

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

8 Translation of foreign currency transactions

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

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

Monetary items denominated in foreign currencies are translated to renminbi at the spot exchange rate at the balance sheet date. The resulting exchange differences are recognised in profit or loss, except those arising from the principals and interests on foreign currency borrowings specifically for the purpose of acquisition, construction of qualifying assets (see Note II. 15). Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to renminbi using the foreign exchange rate at the transaction date.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

9 Financial instruments

Financial instruments include cash at bank and on hand, investments in debt and equity securities other than long-term equity investments (see Note II. 12), receivables, payables, loans and borrowings, debentures payable and share capital, etc.

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

A financial asset or financial liability is recognised in the balance sheet when the Group becomes a party to the contractual provisions of a financial instrument.

The Group classifies financial assets and liabilities into different categories at initial recognition based on the purpose of acquiring assets or assuming liabilities: financial assets and financial liabilities at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets and other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value. For financial assets and financial liabilities at fair value through profit or loss, any directly attributable transaction costs are charged to profit or loss; for other categories of financial assets and financial liabilities, any directly attributable transaction costs are included in their initial costs. Subsequent to initial recognition financial assets and liabilities are measured as follows:

- Financial assets and financial liabilities at fair value through profit or loss (including financial assets or financial liabilities held for trading)

Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

9 Financial instruments (Continued)

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

— Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

— Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are stated at amortised cost using the effective interest method.

— Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated upon initial recognition as available for sales and other financial assets which do not fall into any of the above categories.

An investment in equity instrument which does not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured at cost subsequent to initial recognition.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

9 Financial instruments (Continued)

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

— Available-for-sale financial assets (Continued)

Other than investments in equity instruments whose fair value cannot be measured reliably as described above, subsequent to initial recognition, other available-for-sale financial assets are measured at fair value and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets, which are recognised directly in profit or loss, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is removed from equity and recognised in profit or loss. Dividend income from these equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss (see Note II. 20(3)).

— Other financial liabilities

Financial liabilities other than the financial liabilities at fair value through profit or loss are classified as other financial liabilities.

Other financial liabilities include the liabilities arising from financial guarantee contracts. Financial guarantees are contracts that require the Group (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the holder) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Where the Group issues a financial guarantee, subsequent to initial recognition, the guarantee is measured at the higher of the amount initially recognised less accumulated amortisation and the amount of a provision determined in accordance with the principles of contingent liabilities (see Note II. 19).

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**9 Financial instruments (Continued)**

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

Financial assets and financial liabilities are presented separately in the balance sheet, and are not offset. However, financial assets and financial liabilities are offset and the net amount presented in the balance sheet when both of the following conditions are satisfied:

- the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable;
- the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

- (2) Determination of fair values

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price and, for a financial asset to be acquired or a financial liability assumed, it is the current asking price.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties; reference to the current fair value of another instrument that is substantially the same and discounted cash flow analysis. The Group calibrates the valuation technique and tests it for validity periodically.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

9 Financial instruments (Continued)

(3) Derecognition of financial assets and financial liabilities

A financial asset is derecognised if the Group's contractual rights to the cash flows from the financial asset expire or if the Group transfers substantially all the risks and rewards of ownership of the financial asset to another party.

Where a transfer of a financial asset in its entirety meets the criteria of the derecognition, the difference between the two amounts below is recognised in profit or loss:

- carrying amount of the financial asset transferred
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged.

(4) Impairment of financial assets

The carrying amounts of financial assets (other than those at fair value through profit or loss) are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided.

Objective evidence that a financial asset or group of assets is impaired include:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***II. Significant accounting policies and accounting estimates (Continued)****9 Financial instruments (Continued)****(4) Impairment of financial assets (Continued)**

- (d) the disappearance of an active market for that financial asset because of financial difficulties;
- (e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the obligor operates, and indicates that the cost of an investment in an equity instrument may not be recovered;
- (f) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For the calculation method of impairment of receivables, refer to Note II. 10. The impairment of other financial assets is measured as follows:

— Held-to-maturity investments

Held-to-maturity investments are assessed for impairment on an individual basis. An impairment loss in respect of a held-to-maturity investment is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

If, after an impairment loss has been recognised on held-to-maturity investments, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

9 Financial instruments (Continued)

(4) Impairment of financial assets (Continued)

— Available-for-sale financial assets

Available-for-sale financial assets are assessed for impairment on an individual basis. When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that has been recognised directly in equity is removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

If, after an impairment loss has been recognised on an available-for-sale debt instrument, the fair value of the debt instrument increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. An impairment loss recognised for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss.

(5) Equity instrument

An equity instrument is a contract that proves the ownership interest of the assets after deducting all liabilities in the Company.

The consideration received from the issuance of equity instruments net of transaction costs is recognised in share capital and capital reserve.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

10 Impairment of receivables

Receivables are assessed for impairment both on an individual basis and on a collective group basis.

Where impairment is assessed on an individual basis, an impairment loss in respect of a receivable is calculated as the excess of its carrying amount over the present value of the estimated future cash flows (exclusive of future credit losses that have not been incurred) discounted at the original effective interest rate. All impairment losses are recognised in profit or loss.

The assessment is made collectively where receivables share similar credit risk characteristics (including those having not been individually assessed as impaired), based on their historical loss experiences, and adjusted by the observable factors reflecting present economic conditions.

If, after an impairment loss has been recognised on receivables, there is objective evidence of a recovery in value of the financial asset which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss. A reversal of an impairment loss will not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

11 Inventories

(1) Classification

Inventories include coal, fuel oil, stalk, materials, components and spare parts.

(2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

11 Inventories (Continued)

- (3) The underlying factors in the determination of net realisable value of inventories and the basis of provision for decline in value of inventories

Inventories are carried at the lower of cost and net realisable value.

Cost of inventories comprises all costs of purchase and other costs. Inventories are initially measured at their actual cost.

Net realisable value is the estimated selling price in the normal course of business less the estimated costs to completion and the estimated expenses and related taxes necessary to make the sale. The net realisable value of materials held for use in the production of inventories is measured based on the net realisable value of the finished goods in which they will be incorporated. The net realisable value of the quantity of inventory held to satisfy sales contracts is based on the contract price. If the quantities of inventories specified in sales contracts are less than the quantities held by the Group, the net realisable value of the excess portion of inventories shall be based on general selling prices.

Any excess of the cost over the net realisable value of each class of inventories is recognised as a provision for diminution in the value of inventories.

- (4) Inventory system

The Group maintains a perpetual inventory system.

- (5) Amortisation of low-value consumables

Low-value consumables is amortised in full when received for use. The amounts of the amortisation are included in the cost of the related assets or profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**12 Long-term equity investments**

- (1) Investment cost
- (a) Long-term equity investments acquired through a business combination
- The initial investment cost of a long-term equity investment obtained through a business combination involving enterprises under common control is the Company's share of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amounts of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained profits.
 - For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and additional investment cost at the acquisition date. Any amounts recognised in other comprehensive income relating to the previously-held equity interest in the acquiree, are reclassified to profit or loss as investment income when the equity investment is disposed of.
 - For other long-term equity investments obtained through business combinations involving enterprises not under common control, the initial investment cost is the aggregate of the fair values of identifiable assets transferred, liabilities assumed, and equity securities issued by the Company, in exchange for control of the acquiree.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

12 Long-term equity investments (Continued)

(1) Investment cost *(Continued)*

(b) Long-term equity investments acquired otherwise than through a business combination

- An investment in a subsidiary acquired otherwise than through a business combination is initially recognised at actual payment cost if the Group acquires the investment by cash.

(2) Subsequent measurement

(a) Investments in subsidiaries

In the Company's financial statements, investments in subsidiaries are accounted for using the cost method. Except for cash dividends or profits distribution declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment. The investments in subsidiaries are stated in the balance sheet at cost less impairment losses.

In the Group's consolidated financial statements, investments in subsidiaries are accounted for in accordance with the principles described in Note II. 6.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

12 Long-term equity investments (Continued)

(2) Subsequent measurement (Continued)

(b) Investment in jointly controlled entities and associates

A jointly controlled entity is an enterprise which operates under joint control (see Note II. 12(3)) in accordance with a contractual agreement between the Group and other parties.

An associate is an enterprise over which the Group has significant influence (see Note II. 12(3)).

An investment in a jointly controlled entity or an associate is accounted for using the equity method.

The Group makes the following accounting treatments when using the equity method:

- Where the initial investment cost of a long-term equity investment exceeds the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the initial investment cost. Where the initial investment cost is less than the Group's interest in the fair value of the investee's identifiable net assets at the date of acquisition, the investment is initially recognised at the investor's share of the fair value of the investee's identifiable net assets, and the difference is charged to profit or loss.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

12 Long-term equity investments (Continued)

(2) Subsequent measurement *(Continued)*

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

- After the acquisition of the investment, the Group recognises its share of the investee's net profits or losses after deducting the amortisation of the debit balance of equity investment difference, which was recognised by the Group before the first-time adoption of CAS, as investment income or losses, and adjusts the carrying amount of the investment accordingly. The debit balance of the equity investment difference is amortised using the straight-line method over the period which is determined in accordance with previous accounting standards. Once the investee declares any cash dividends or profits distributions, the carrying amount of the investment is reduced by that amount attributable to the Group.

The Group recognises its share of the investee's net profits or losses after making appropriate adjustments to align the accounting policies or accounting periods with those of the Group based on the fair values of the investee's identifiable net assets at the date of acquisition. Unrealised profits and losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated to the extent of the Group's interest in the associates or jointly controlled entities. Unrealised losses resulting from transactions between the Group and its associates or jointly controlled entities are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**12 Long-term equity investments (Continued)****(2) Subsequent measurement (Continued)****(b) Investment in jointly controlled entities and associates (Continued)**

- The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment and any long-term interest that in substance forms part of the Group's net investment in the associate or the jointly controlled entities is reduced to zero, except to the extent that the Group has an obligation to assume additional losses. Where net profits are subsequently made by the associate or jointly controlled entities, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

(c) Other long-term equity investments

Other long-term equity investments refer to investments where the Group does not have control, joint control or significant influence over the investees, and the investments are not quoted in an active market and their fair value cannot be reliably measured.

Other long-term equity investments are accounted for using the cost method. Cash dividends or profit distributions declared by the investees and attributed to the Company shall be recognised as investment income, except those that have been declared but unpaid at the time of acquisition and therefore included in the price paid or consideration.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

12 Long-term equity investments (Continued)

- (3) Basis for determining the existence of joint control or significant influence over an investee

Joint control is the contractual agreed sharing of control over an investee's economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing the control. The following evidences shall be considered when determining whether the Group can exercise joint control over an investee:

- no single venturer is in a position to control the operating activities unilaterally;
- operating decisions relating to the investee's economic activity require the unanimous consent of the parties sharing the control;
- if the parties sharing the control appoint one venturer as the operator or manager of the joint venture through the contractual arrangement, the operator must act within the financial and operating policies that have been agreed by the venturers in accordance with the contractual arrangement.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**12 Long-term equity investments (Continued)**

- (3) Basis for determining the existence of joint control or significant influence over an investee *(Continued)*

Significant influence is the power to participate in the financial and operating policy decisions of an investee but is not control or joint control over those policies. The following one or more evidences shall be considered when determining whether the Group can exercise significant influence over an investee:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the investor and the investee;
- interchange of managerial personnel; or
- provision of essential technical information.

- (4) Method of impairment testing and measuring

For the method of impairment testing and measuring for subsidiaries, jointly controlled entities and associates, refer to Note II. 18.

For other long-term equity investments, the carrying amount is required to be tested for impairment at the balance sheet date. If there is objective evidence that the investments may be impaired, the impairment shall be assessed on an individual basis. The impairment loss is measured as the amount by which the carrying amount of the investment exceeds the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed. The other long-term equity investments are stated at cost less impairment losses in the balance sheet.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

13 Fixed assets

(1) Recognition

Fixed assets represent the tangible assets held by the Group for use in the production of electricity, heat and for other operation or administrative purposes with useful lives over one year.

The cost of a purchased fixed asset comprises the purchase price, related taxes, and any directly attributable expenditure for bringing the asset to working condition for its intended use. The cost of self-constructed assets is measured in accordance with the policy set out in Note II. 14. Costs of environmental protection and ecological restoration arising from obligations incurred in compliance with relevant regulations and contracts when fixed assets are disposed of are included in the initial cost of fixed assets.

Where parts of an item of fixed assets have different useful lives or provide benefits to the Group in a different pattern thus necessitating use of different depreciation rates or methods, each part is recognised as a separate fixed asset.

The subsequent costs including the cost of replacing part of an item of fixed assets are recognised in the carrying amount of the item if the recognition criteria are satisfied, and the carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of fixed assets are recognised in profit or loss as incurred.

Fixed assets are stated in the balance sheet at cost less accumulated depreciation and impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***II. Significant accounting policies and accounting estimates (Continued)****13 Fixed assets (Continued)**

(2) Depreciation

Other than mining structures which are depreciated on a units-of-production method, fixed assets are depreciated using the straight-line method over their estimated useful lives. The depreciation period, residual value rate and depreciation rate of each class of fixed assets are as follows:

Classes	Depreciation period (years)	Residual value rate (%)	Depreciation rate (%)
Plants and buildings	20 – 45	3 – 5	2.1 – 4.9
Generators	5 – 25	3 – 5	3.8 – 19.4
Others	5 – 10	3 – 5	9.5 – 19.4

Useful lives, estimated residual values and depreciation methods are reviewed at least each year-end.

(3) For the method of impairment testing and measuring, refer to Note II. 18.

(4) Determination and measurement of assets acquired under finance leases

For the determination and measurement of assets acquired under finance leases, refer to Note II. 24(2).

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

13 Fixed assets (Continued)

(5) Disposal

The carrying amount of a fixed asset shall be derecognised:

- on disposal; or
- when no future economic benefits are expected to be generated from its use or disposal.

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

14 Construction in progress

The cost of self-constructed assets includes the cost of materials, direct labour, capitalised borrowing costs (see Note II. 15), and any other costs directly attributable to bringing the asset to working condition for its intended use.

A self-constructed asset is included construction in progress before it is transferred to fixed asset when it is ready for its intended use. No depreciation is provided against construction in progress. Construction in progress is stated in the balance sheet at cost less impairment losses (see Note II. 18).

Construction in progress mainly includes construction of generators, plants and buildings, environmental and technical improvement projects.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

15 Borrowing costs

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

Except for the above, other borrowing costs are recognised as financial expenses in the income statement when incurred.

During the capitalisation period, the amount of interest (including amortisation of any discount or premium on borrowing) to be capitalised in each accounting period is determined as follows:

- Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.
- Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

The effective interest rate is determined as the rate that exactly discounts estimated future cash flow through the expected life of the borrowing or, when appropriate, a shorter period to the initially recognised amount of the borrowings.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***II. Significant accounting policies and accounting estimates (Continued)****15 Borrowing costs (Continued)**

During the capitalisation period, exchange differences related to the principal and interest on a specific-purpose borrowing denominated in foreign currency are capitalised as part of the cost of the qualifying asset. The exchange differences related to the principal and interest on foreign currency borrowings other than a specific-purpose borrowing are recognised as a financial expense in the period in which they are incurred.

The capitalisation period is the period from the date of commencement of capitalisation of borrowing costs to the date of cessation of capitalisation, excluding any period over which capitalisation is suspended. Capitalisation of borrowing costs commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities of acquisition, construction that are necessary to prepare the asset for its intended use are in progress, and ceases when the assets become ready for their intended use. Capitalisation of borrowing costs is suspended when the acquisition, construction activities are interrupted abnormally and the interruption lasts for more than three months.

16 Intangible assets

Intangible assets are stated in the balance sheet at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note II. 18). For an intangible asset with finite useful life, its cost less residual value and impairment loss is amortised on the straight-line method over its estimated useful life, except mining rights are amortised using units-of-production method according to the proved coal reserves. The amortisation periods of each class of intangible assets are as follows:

Classes	Amortisation period (years)
Land use rights	10-70
Concession assets	25
Others	5 – 10

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**16 Intangible assets (Continued)**

Concession assets are intangible assets recognized by the Group according to concession agreements to operate wind power plants, which was signed with each grantor. Concession assets are measured at actual cost incurred. Actual cost includes payment in the process of construction of a concession asset, which considering the contract agreement, and capitalised borrowing costs incurred before the asset become ready for its intended use. Concession assets are amortised over the residual concession period from the date when the assets are ready for its intended use.

An intangible asset is regarded as having an indefinite useful life and is not amortised when there is no foreseeable limit to the period over which the asset is expected to generate economic benefits for the Group. The Group will reassess the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Group will estimate its useful life and account for it in accordance with the same policy as intangible assets with finite useful lives described above.

The Group's expenditures on the internal research are recognised in profit or loss when incurred.

17 Goodwill

The initial cost of goodwill represents the excess of cost of acquisition over the acquirer's interest in the fair value of the identifiable net assets of the acquiree under the business combination involving enterprises not under common control.

Goodwill is not amortised and is stated at cost less accumulated impairment losses (see Note II. 18). On disposal of an asset group or a set of asset groups, any attributable amount of purchased goodwill is written off and included in the calculation of the profit or loss on disposal.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

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

The carrying amounts of the following assets are reviewed at each balance sheet date based on the internal and external sources of information to determine whether there is any indication of impairment:

- fixed assets
- construction in progress
- construction materials
- construction and construction material prepayments
- intangible assets
- long-term equity investments in subsidiaries, associates and jointly controlled entities
- goodwill
- other non-current assets (including prepayments for investment)

If any indication exists that an asset may be impaired, the recoverable amount of the asset is estimated. In addition, the Group estimates the recoverable amounts of goodwill and intangible assets with indefinite useful lives at no later than each year-end, irrespective of whether there is any indication of impairment or not. Goodwill is allocated to each asset group or set of asset groups, which is expected to benefit from the synergies of the combination for the purpose of impairment testing.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**18 Impairment of assets other than inventories, financial assets and other long-term investments (Continued)**

The recoverable amount of an asset, asset group or set of asset groups is the higher of its fair value less costs to sell and its present value of expected future cash flows.

An asset group is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or asset groups. An asset group is composed of assets directly relating to cash-generation. Identification of an asset group is based on whether major cash inflows generated by the asset group are largely independent of the cash inflows from other assets or asset groups. In identifying an asset group, the Group also considers how management monitors the Group's operations and how management makes decisions about continuing or disposing of the Group's assets.

An asset's fair value less costs to sell is the amount determined by the price of a sale agreement in an arm's length transaction, less the costs that are directly attributable to the disposal of the asset. The present value of expected future cash flows of an asset is determined by discounting the future cash flows, estimated to be derived from continuing use of the asset and from its ultimate disposal, to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the result of the recoverable amount calculation indicates the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment loss of the asset is recognised accordingly. For impairment losses related to an asset group or a set of asset groups, first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of the other assets in the asset group or set of asset groups on a pro rata basis. However, the carrying amount of an impaired asset will not be reduced below the highest of its individual fair value less costs to sell (if determinable), the present value of expected future cash flows (if determinable) and zero.

Once an impairment loss is recognised, it is not reversed in a subsequent period.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

19 Provisions

A provision is recognised for an obligation related to a contingency if the Group has a present obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the effect of time value of money is material, provisions are determined by discounting the expected future cash flows.

20 Revenue recognition

Revenue is the gross inflow of economic benefit arising in the course of the Group's ordinary activities when the inflows result in increase in shareholder's equity, other than increase relating to contributions from shareholders. Revenue is recognised in profit or loss when it is probable that the economic benefits will flow to the Group, the revenue and costs can be measured reliably and the following respective conditions are met:

(1) Sale of electricity

Revenue from sale of electricity is recognised when electricity is supplied to the respective grid companies where the power plants are located.

(2) Sale of heat

Revenue from sale of heat is recognised when heat is supplied to customers.

(3) Interest income

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

(4) Dividend income

Dividend income from unlisted investments, which are accounted for using the cost method, is recognised when the shareholder's right to receive payment is established. Dividend income from listed investments (not including investments in jointly controlled entities and associates) is recognised when the share price of the investment goes ex-dividend.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

20 Revenue recognition (Continued)

(5) Certified Emission Reductions (“CERs”) income

The Group registered wind power projects generated from the wind farm as Clean Development Mechanism (“CDM”) projects with CDM Executive Board (“CDM EB”) of the United Nations under the Kyoto Protocol. The Group sells verified carbon credits generated from wind power. Revenue in relation to the CERs is recognised when following conditions are met:

- CDM project has obtained the approval from the National Development and Reform Commission and registered as CDM project verified by the United Nations;
- the counterparties have committed to purchase the Certified Emission Reductions and the sales prices have been agreed; and
- relevant electricity has been generated.

CERs income is measured at fair value upon initial recognition. After that, CERs income is carried at the lower of cost and net realisable value.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

21 Employee benefits

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

(1) Pension benefits

Pursuant to the relevant laws and regulations of the PRC, the Group has joined a basic pension insurance for the employees arranged by local Labour and Social Security Bureaus. The Group makes contributions to the pension insurance at the applicable rates based on the amounts stipulated by the government organisation. In addition, the Group has joined a supplementary pension insurance managed by China Huadian. The contributions are capitalised as part of the cost of assets or charged to profit or loss on an accrual basis. When employees retire, the local Labour and Social Security Bureaus and China Huadian are responsible for the payment of the basic and supplementary pension benefits to the retired employees. The Group does not have any other obligations in this respect.

(2) Housing fund and other social insurances

Besides the pension benefits, pursuant to the relevant laws and regulations of the PRC, the Group has joined defined social security contributions for employees, such as a housing fund, basic medical insurance, unemployment insurance, injury insurance and maternity insurance. The Group makes contributions to the housing fund and other social insurances mentioned above at the applicable rates based on the employees' salaries. The contributions are recognised as cost of assets or charged to profit or loss on an accrual basis.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**21 Employee benefits (Continued)****(3) Termination benefits**

When the Group terminates the employment relationship with employees before the employment contracts have expired, or provides compensation as an offer to encourage employees to accept voluntary redundancy, a provision for the termination benefits provided, is recognised in profit or loss when both of the following conditions have been satisfied:

- The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly;
- The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

22 Government grants

Government grants are transfers of monetary assets or non-monetary assets from the government to the Group at no consideration except for any capital contribution from the government as an investor in the Group. Special funds such as investment grants allocated by the government, if clearly defined in official documents as part of “capital reserve” are dealt with as capital contributions, and not regarded as government grants.

A government grant is recognised when there is reasonable assurance that the grant will be received and that the Group will comply with the conditions attaching to the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount that is received or receivable. If a government grant is in the form of a transfer of a non-monetary asset, it is measured at its fair value.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

22 Government grants (Continued)

A government grant related to an asset is recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset. A grant that compensates the Group for expenses to be incurred in the subsequent periods is recognised initially as deferred income and recognised in profit or loss in the same periods in which the expenses are recognised. A grant that compensates the Group for expenses incurred is recognised in profit or loss immediately.

23 Deferred tax assets and liabilities

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases, which include the deductible losses and tax credits carry forward to subsequent periods. Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is not recognised for the temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting profit nor taxable profit (or tax loss). Deferred tax is not recognised for taxable temporary differences arising from the initial recognition of goodwill.

At the balance sheet date, the amount of deferred tax recognised is measured based on the expected manner of recovery or settlement of the carrying amount of the assets and liabilities, using tax rates that are expected to be applied in the period when the asset is recovered or the liability is settled in accordance with tax laws.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**23 Deferred tax assets and liabilities (Continued)**

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

At the balance sheet date, deferred tax assets and liabilities are offset if all the following conditions are met:

- the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities, and
- they relate to income taxes levied by the same tax authority on either the same taxable entity or different taxable entities which either to intend to settle the current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

24 Operating lease and finance lease

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred or not. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognised as costs or expenses on a straight-line basis over the lease term.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

24 Operating lease and finance lease (Continued)

(2) Assets acquired under finance leases

When the Group acquires an asset under a finance lease, the asset is measured at an amount equal to the lower of its fair values and the present value of the minimum lease payments, each determined at the inception of the lease. The minimum lease payments are recorded as long-term payables. The difference between the value of the leased assets and the minimum lease payments is recognised as unrecognised finance charges. Initial direct costs that are attributable to a finance lease incurred by the Group are added to the amounts recognised for the leased asset. Depreciation and impairment losses are accounted for in accordance with the accounting policies described in Note II 13(2) and 18, respectively.

If there is a reasonable certainty that the Group will obtain ownership of a leased asset at the end of the lease term, the leased asset is depreciated over its estimated useful life. Otherwise, the leased asset is depreciated over the shorter of the lease term and its estimated useful life.

Unrecognised finance charge under finance lease is amortised using an effective interest method over the lease term. The amortisation is accounted for in accordance with policies of borrowing costs (see Note II 15).

At the balance sheet date, long-term payables arising from finance leases, net of the unrecognised finance charges, are presented into long-term payables and non-current liabilities due within one year, respectively in the balance sheet.

25 Dividends appropriated to investors

Dividends or distributions of profits proposed in the profit appropriation plan which will be authorised and declared after the balance sheet date, are not recognised as a liability at the balance sheet date but disclosed in the notes separately.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**26 Related parties**

If a party has the power to control, jointly control or exercise significant influence over another party, or vice versa, or where two or more parties are subject to common control or joint control from another party, they are considered to be related parties. Related parties may be individuals or enterprises. Enterprises with which the Company is under common control only from the State and that have no other related party relationships are not regarded as related parties of the Group. Related parties of the Group and the Company include, but are not limited to:

- (a) the Company's parent;
- (b) the Company's subsidiaries;
- (c) enterprises that are controlled by the Company's parent;
- (d) investors that have joint control or exercise significant influence over the Group;
- (e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;
- (f) joint ventures of the Group, including subsidiaries of joint ventures;
- (g) associates of the Group, including subsidiaries of associates;
- (h) principal individual investors and close family members of such individuals;
- (i) key management personnel of the Group and close family members of such individuals;
- (j) key management personnel of the Company's parent;

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

26 Related parties (Continued)

- (k) close family members of key management personnel of the Company's parent; and
- (l) other enterprises that are controlled or jointly controlled by principal individual investors, key management personnel of the Group, and close family members of such individuals.

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

- (m) enterprises, or persons that act in concert, that hold 5% or more of the Company's shares;
- (n) individuals and close family members of such individuals who directly or indirectly hold 5% or more of the Company's shares, supervisors for listed companies and their close family members;
- (o) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;
- (p) individuals who satisfy any of the aforesaid conditions in (i), (j) and (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and
- (q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) and (p), or in which such an individual assumes the position of a director or senior executive.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

27 Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Group's internal organisation, management requirements and internal reporting system. An operating segment is a component of the Group:

- it may earn revenues and incur expense from business activities;
- its operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance;
- its financial information regarding financial position, results of operations and cash flows is available.

Two or more operating segments may be aggregated into a single operating segment if the segments have same or similar economic characteristics and are similar in respect of:

- the nature of each products and services;
- the nature of production processes;
- the type or class of customers for the products and services;
- the methods used to distribute the products or provide the services;
- the nature of the regulatory environment.

Inter-segment revenues are measured on the basis of actual transaction price for such transactions for segment reporting, and segment accounting policies are consistent with those for the consolidated financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

28 Significant accounting estimates and judgments

The preparation of financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Note IX. 2 contain information about the assumptions and their risk factors relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(1) Impairment of receivables

As described in Note II. 10, receivables that are measured at amortisation cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, impairment loss is provided. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is an indication that there has been a change in the factors used to determine the provision for impairment, the impairment loss recognised in prior years is reversed.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)**28 Significant accounting estimates and judgments (Continued)**

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

As described in Note II. 18, other assets excluding inventories, financial assets and other long-term equity investments are reviewed at each balance sheet date to determine whether the carrying amount exceeds the recoverable amount of the assets. If any such indication exists, impairment loss is provided.

The recoverable amount of an asset (asset group) is the greater of its net selling price and its present value of expected future cash flows. Since a market price of the asset (the asset group) cannot be obtained reliably, the fair value of the asset cannot be estimated reliably. In assessing value in use, significant judgements are exercised over the asset's production, selling price, related operating expenses and discounting rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumption.

- (3) Depreciation and amortisation

As described in Note II. 13 and 16, fixed assets and intangible assets are depreciated and amortised using the straight-line or units-of-production method over their useful lives after taking into account residual value. The estimated useful lives are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives are determined based on historical experiences of similar assets and the estimated technical changes. If there is an indication that there has been a change in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

II. Significant accounting policies and accounting estimates (Continued)

28 Significant accounting estimates and judgments (Continued)

(4) Deferred tax assets

As described in Note II. 23, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The Group obtained all relevant information, including the estimation of the volume of electricity and heat generated, selling price and related operating expenses based on reasonable and supportable assumption, to estimate whether sufficient future taxable profits will be available against which deductible temporary differences can be utilised. If there is an indication that there has been a change in the factors used to determine the deferred tax assets, the amount of deferred tax assets and tax expenses are revised.

(5) Intangible assets with indefinite useful lives

As described in Note II. 16, an intangible asset is regarded as having an indefinite useful life when there is no foreseeable limited to the period over which the asset is expected to generate economic benefits for the Group. The Group will reassess the useful lives of intangible assets with indefinite useful lives in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, or there has been a change in the factors used to determine the useful life, the amount of amortisation is revised.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***III. Taxation****1 Main types of taxes and corresponding rates**

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

Note:

- (1) The income tax rate applicable to the Company and each of its subsidiaries for the period is 25% (2010: 25%), except for Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company"), Huadian Laizhou Wind Power Generation Company Limited ("Laizhou Wind Power Company"), Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company"), Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company"), Hebei Huadian Guyuan Wind Power Company Limited ("Guyuan Wind Power Company"), Huadian Ningxia Ningdong Shangde Solar Energy Company Limited ("Ningdong Shangde Solar Energy Company") and Huadian Kezuozhongqi Wind Power Company Limited ("Kezuozhongqi Wind Power Company") for which preferential tax rates apply.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***III. Taxation (Continued)****1 Main types of taxes and corresponding rates (Continued)**

The subsidiaries of the Group that are entitled to preferential tax treatments are as follows:

Company name	Preferential tax rate	Reasons for preferential tax treatments
Lingwu Company	12.5%	Attracting investment policies of Ningxia Hui Nationality Autonomous Region (<i>Note (1)</i>)
Laizhou Wind Power Company	12.5%	Major public infrastructure projects supported by the State (<i>Note (2)</i>)
Ningdong Wind Power Company Phase I	12.5%	Major public infrastructure projects supported by the State (<i>Note (2)</i>)
Ningdong Wind Power Company Phase II	—	Major public infrastructure projects supported by the State (<i>Note (2)</i>)
Kailu Wind Power Company	—	Major public infrastructure projects supported by the State (<i>Note (2)</i>)
Guyuan Wind Power Company	—	Major public infrastructure projects supported by the State (<i>Note (2)</i>)
Ningdong Shangde Solar Energy Company	—	Major public infrastructure projects supported by the State (<i>Note (2)</i>)
Kezuozhongqi Wind Power Company	—	Major public infrastructure projects supported by the State (<i>Note (2)</i>)

Notes:

- (1) Pursuant to the Notice issued by the People's Government of the Autonomous Region on Certain Policies on Attracting Investments to the Ningxia Hui Nationality Autonomous Region (Ning Zheng Fa [2004] No. 61), all new Ningxia industrial enterprises set up with non-domestic capital are, upon approval from the State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region, exempted from EIT for the first to third years since the commencement of operations, followed by a 50% reduction in EIT based on a preferential tax rate for the fourth and fifth years. In accordance with the approval documents issued by the State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region, Lingwu Company are exempted from EIT for the years 2007 to 2009 and entitled to a 50% reduction in EIT based on the prevailing applicable tax rate for the years 2010 and 2011.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***III. Taxation (Continued)****1 Main types of taxes and corresponding rates (Continued)***Notes: (Continued)*

- (2) Pursuant to the EIT Law of the PRC and the Regulation on the Implementation of the EIT Law of the PRC, the income obtained by an enterprise from investing in or operating any of the public infrastructure projects under the key support of the state shall be exempted from EIT for the first three years as of the tax year when the first revenue arising from production or operation it is attributable to, and shall be taxed at half rate for the fourth to the sixth years. The Company's subsidiaries with a preferential tax rate are as follows:

Company Name	Years for Exemption	Years for half tax rate	Authorized by
Ningdong Wind Power Company Phase I	2008-2010	2011-2013	Lingwu State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region
Laizhou Wind Power Company	2008-2010	2011-2013	Laizhou State Administration of Taxation of Shandong Province
Ningdong Wind Power Company Phase II	2010-2012	2013-2015	Lingwu State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region
Kailu Wind Power Company	2010-2012	2013-2015	Kailu State Administration of Taxation of the Inner Mongolia Autonomous Region
Guyuan Wind Power Company	2010-2012	2013-2015	Heibei Guyuan Administration of Taxation
Ningdong Shangde Solar Energy Company	2011-2013	2014-2016	Lingwu State Administration of Taxation of the Ningxia Hui Nationality Autonomous Region
Kezuozhongqi Wind Power Company	2011-2013	2014-2016	Ke'erqinzuoyizhong Qi State Administration of Taxation of the Inner Mongolia Autonomous Region

- (3) Pursuant to the Circular of the Ministry of Finance, the State Administration of Taxation, the General Administration of Customs on Issues Relating to Preferential Tax Policies for the Development of the Western Regions (Cai Shui [2001] No. 202) and the Notice of the State Administration of Taxation Concerning the Opinions on the Implementation of the Relevant Taxation Policies on the Development of the Western Region (Guo Shui Fa [2002] No. 47), preferential tax incentive granted to Sichuan Guang'an Power Generation Company Limited ("Guang'an Company"), Sichuan Huadian Zagunao Hydroelectric Development Company Limited ("Zagunao Hydroelectric Company") and Lingwu Company is expired in the end of 2010. Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies issue on 27 July 2011, the preferential tax incentive is extended to the end of the year 2020. As at this report date, Guang'an Company, Zagunao Hydroelectric Company and Lingwu Company are in the process of applying for preferential tax for the period of 2011-2020.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)
IV. Business combinations and the consolidated financial statements
1 Background of major subsidiaries
(1) Subsidiaries acquired through establishment or investment

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)	Closing amount of minority interests RMB'000	Amount in Current period's minority interests used to offset the profit/(loss) attributable to minority shareholders RMB'000
Lingwu Company	Limited company	Lingwu, the PRC	Wang Wengji	7142269-7	Generation and sale of electricity	1,300,000	1,322,655	65	65	Y	450,529	—
Sichuan Huadian Luding Hydropower Company Limited (Luding Hydropower Company)	Limited company	Gaosi Tibetan Autonomous Region, the PRC	Zhong Tongjin	78911707-X	Generation and sale of electricity (under construction)	1,266,090	1,266,090	100	100	Y	—	—
Huadian Suzhou Biomass Energy Power Company Limited (Suzhou Biomass Energy Company)	Limited company	Suzhou, the PRC	Zhang Daixin	66293432-0	Generation and sale of electricity	52,480	43,680	78	78	Y	1,503	1,566
Huadian International Shandong Materials Company Limited (Materials Company)	Limited company	Jinan, the PRC	Wang Wengji	75919879-9	Procurement of materials	50,000	38,648	100	100	Y	—	—
Huadian Qingdao Heat Company Limited	Limited company	Qingdao, the PRC	Liu Kefan	77029397-7	Sale of heat	30,000	16,500	55	55	Y	61,154	—
Huadian International Shandong Project Company Limited	Limited company	Jinan, the PRC	Xing Shibaog	76005563-X	Management of construction project	3,000	3,336	100	100	Y	—	—
Huadian International Shandong Information Company Limited	Limited company	Jinan, the PRC	Zhong Tongjin	78849819-4	Development and maintenance of information system	3,000	3,000	100	100	Y	—	—
Ningdong Wind Power Company	Limited company	Lingwu, the PRC	Ji Jun	7999031-6	Generation and sale of electricity	140,000	140,000	100	100	Y	—	—
Huadian Zoukuan Power Generation Company Limited (Zoukuan Company)	Limited company	Zoucheng, the PRC	Zhong Tongjin	66930776-6	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y	984,209	—
Laichou Wind Power Company	Limited company	Laichou, the PRC	Dong Fenglang	67423269-1	Generation and sale of electricity	146,060	80,333	55	55	Y	71,856	—
Kalu Wind Power Company	Limited company	Tongliao, the PRC	Xie Wei	67438152-4	Generation and sale of electricity	797,128	797,128	100	100	Y	—	—

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)

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

1 Background of major subsidiaries (Continued)

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

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital of investment RMB'000	Closing amount of investment RMB'000	Percentage of	Percentage of	Included in	Closing amount of minority interests RMB'000	Amount in
								equity interest held by the Company (%)	voting rights held by the Company (%)	consolidated financial statements (Y/N)		Current period's minority interests used to offset the profit/(loss) attributable to minority shareholders RMB'000
Huadian Luhe Power Generation Company Limited (Luhe Company)	Limited company	Luhe, the PRC	Xing Shibaog	68076402-X	Generation and sale of electricity	502,000	475,300	75	75	Y	5,491	22,165
Tengzhou Xinjiasuan Heat Company Limited (Tengzhou Heat Company) (Note 1)	Limited company	Tengzhou, the PRC	Ge Lijun	68170352-6	Sale of heat.	30,000	—	65.28	70	Y	6,666	476
Shanxi Machua Energy Investment Company Limited (Machua Company)	Limited company	Taiyuan, the PRC	Peng Guozuqian	68689562-9	Investment and management in coal, electricity and heat industry	1,547,000	1,547,000	100	100	Y	—	—
Guyuan Wind Power Company	Limited company	Zhangjiakou, the PRC	Peng Guozuqian	67418373-0	Generation and sale of electricity	300,000	338,100	100	100	Y	—	—
Kaizuohegongli Wind Power Company	Limited company	Kaizuohegongli, the PRC	Xie Wei	68596322-3	Generation and sale of electricity	80,000	80,000	100	100	Y	—	—
Huadian Qudong Power Generation Company Limited (Qudong Company)	Limited company	Xinmiang, the PRC	Xing Shibaog	68599741-6	Generation and sale of electricity (under construction)	502,000	221,740	90	90	Y	53,397	132
Xinmiang Huadian Heat Company Limited (Xinmiang Heat Company) (Note 3)	Limited company	Xinmiang, the PRC	Zheng Gang	58248931-7	Sale of heat (under construction)	24,570	—	90	100	Y	2,457	—
Ningdong Shangde Solar Energy Company	Limited company	Lingwu, the PRC	Ji Jun	68432840-1	Generation and sale of electricity	38,000	22,600	60	60	Y	15,592	—
Hebei Huadian Kangbao Wind Power Company Limited	Limited company	Zhangjiakou, the PRC	Peng Guozuqian	55043453-2	Generation and sale of electricity (under construction)	55,000	55,000	100	100	Y	—	—

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)
IV. Business combinations and the consolidated financial statements (Continued)
1 Background of major subsidiaries (Continued)
(1) Subsidiaries acquired through establishment or investment (Continued)

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital of investment	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements	Closing amount of minority interests	Amount in Current period's minority interests used to offset the profit/(loss) attributable to minority shareholders
						RMB'000	RMB'000	(%)	(%)	(Y/N)	RMB'000	RMB'000
Anhui Huadian Lu'an Power Plant Company Limited (Lu'an Company)	Limited company	Lu'an, the PRC	Xing Shibaog	55019512-1	Generation and sale of electricity (under construction)	104,400	108,180	95	95	Y	5,201	19
Huadian Zoucheng Heat Company Limited (Zoucheng Heat Company)	Limited company	Zoucheng, the PRC	Li Huaijin	55094539-5	Sale of heat	80,000	56,000	70	70	Y	23,371	634
Shantou Huadian Power Generation Company Limited (Shantou Company)	Limited company	Shantou, the PRC	Yin Zhengjun	56084427-9	Generation and sale of electricity (under construction)	30,000	15,300	51	51	Y	14,700	—
Huadian Ningxia Yaoliangshan Wind Power Company Limited (Yaoliangshan Wind Power Company)	Limited company	Guyuan, the PRC	Ji Jun	55418889-8	Generation and sale of electricity (under construction)	65,000	65,000	100	100	Y	—	—
Huadian Laichou Power Generation Company Limited (Laichou Company)	Limited company	Laichou, the PRC	Xing Shibaog	55092021-1	Generation and sale of electricity (under construction)	10,000	207,500	75	75	Y	1,393	664
Guangdong Huadian Shaoguan Thermal Power Company Limited	Limited company	Shaoguan, the PRC	Yin Zhengjun	56450155-6	Generation and sale of electricity and heat (under construction)	20,000	20,000	100	100	Y	—	—
Hebei Huadian Yuchou Wind Company Limited (Yuchou Wind Power Company) (Note 3)	Limited company	Yuanlin, the PRC	Wang Li	56016950-0	Generation and sale of electricity (under construction)	40,000	—	100	100	Y	—	—

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)

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

1 Background of major subsidiaries (Continued)

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

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)	Closing amount of minority interests RMB'000	Amount in current period's minority interests used to offset the profit/(loss) attributable to minority shareholders RMB'000
Weifang Taihe Heat Company Limited ("Taihe Heat Company")	Limited company	Weifang, the PRC	Xiong Zhuoyuan	57547412-7	Sale of heat (under construction)	50,000	—	36	80	Y	10,000	—
Huadian Laizhou Port Company Limited ("Laizhou Port Company")	Limited company	Laizhou, the PRC	Bai Hua	5704834-7	Port construction and operation (under construction)	215,130	69,917	65	65	Y	37,648	—
Huadian Laizhou Wind Power Company Limited ("Laizhou Wind Company")	Limited company	Laizhou, the PRC	Dong Fengliang	57547126-6	Generation and sale of electricity (under construction)	40,000	40,000	100	100	Y	—	—
Huadian Ningxia Lupashan Wind Power Company limited ("Lupashan Wind Power Company")	Limited company	Haiyuan, the PRC	Duan Xinmin	56413303-6	Generation and sale of electricity (under construction)	5,000	5,000	100	100	Y	—	—
Anhui Weihu New Products Promotion Company Limited ("Weihu Company")	Limited company	Heife, the PRC	Peng Guozhuan	55600753-4	Research, Development, promotion and sales of new product	50,000	283,315	51	51	Y	272,209	—
Anhui Huain International Energy Company Limited ("Huain Company")	Limited company	Heife, the PRC	Peng Guozhuan	57443653-6	Investment on coal mine resources	50,000	25,500	51	51	Y	24,508	—

Note 1: Tengzhou Heat Company is the subsidiary of Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Thermal Power Company"), a subsidiary of the Company. Tengzhou Thermal Power Company holds 70% equity interest in Tengzhou Heat Company. The closing amount of investment is RMB21,000,000.

Note 2: Xinxiang Heat Company is a wholly owned subsidiary of Qudong Company, a subsidiary of the Company. The closing amount of investment is RMB24,570,000.

Note 3: Yuzhou Wind Company is a wholly owned subsidiary of Hebei Huarui Energy Group Corporation Limited ("Huarui Group Company"), a subsidiary of the Company. This Company was newly established and the closing amount of investment is RMB20,000,000.

Note 4: Taihe Heat Company is the subsidiary of Huadian Weifang Power Generation Company Limited ("Weifang Company"), a subsidiary of the Company. Weifang Company holds 80% equity interest in Taihe Heat Company. The closing amount of investment is RMB40,000,000.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
 (Expressed in Renminbi'000)

IV. Business combinations and the consolidated financial statements (Continued)
1 Background of major subsidiaries (Continued)

(2) Subsidiaries acquired through business combinations under common control

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)	Closing amount of minority interests RMB'000	Amount in Current period's minority interests used to offset the profit/(loss) attributable to minority shareholders RMB'000
Guang'an Company	Limited company	Guang'an, the PRC	Zhong Tonglin	2895243-3	Generation and sale of electricity	1,765,860	1,267,577	80	80	Y	486,988	—
Huadian Xinming Power Generation Company Limited (Xinming Company)	Limited company	Xinming, the PRC	Wang Fengjiao	7538882-3	Generation and sale of electricity	69,000	372,100	90	90	Y	(47,995)	9,934
Aohai Huadian Suzhou Power Generation Company Limited (Suzhou Company)	Limited company	Suzhou, the PRC	Xu Xu	75289721-0	Generation and sale of electricity	654,912	829,267	97	97	Y	22,215	470
Aohai Huadian Wuhu Power Generation Company Limited (Wuhu Company)	Limited company	Wuhu, the PRC	Xu Xu	7627372-0	Generation and sale of electricity	1,000,000	644,046	65	65	Y	313,023	—
Hangzhou Huadian Banahan Power Generation company Limited (Banahan Company)	Limited company	Hangzhou, the PRC	Wang Wenqi	14304851-4	Generation and sale of electricity and heat	480,762	986,724	64	64	Y	313,174	—
Hebei Huadian Complex Pumping-storage Power Company Limited	Limited company	Luquan, the PRC	Kang Jinzhu	7770333-8	Generation and sale of electricity	10,000	15,682	100	100	Y	—	—
Hebei Huadian Shijiazhuang Thermal Power Company Limited (Shijiazhuang Thermal Power Company)	Limited company	Shijiazhuang, the PRC	Wang Wenqi	71318794-6	Generation and sale of electricity and heat	786,740	908,511	82	82	Y	143,477	7,202
Hebei Huadian Shijiazhuang Thermal Power Company Limited (Yuhua Thermal Power Company) (Note 5)	Limited company	Shijiazhuang, the PRC	Wang Wenqi	79138065-1	Generation and sale of electricity and heat	500,000	—	87.87	100	Y	—	—
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited (Luhua Thermal Power Company)	Limited company	Shijiazhuang, the PRC	Xing Shizhang	6746860-X	Generation and sale of electricity and heat (under construction)	380,000	337,475	90	90	Y	37,361	65

Note 5: Yuhua Thermal Power Company is the subsidiary of Shijiazhuang Thermal Power Company, a subsidiary of the Company. Shijiazhuang Thermal Power Company holds 60% equity interest in Yuhua Thermal Power Company. Yuhua Thermal Power Company also is the associate of Hebei Huafeng Investment Company Limited ("Huafeng Investment Company"). Huafeng Investment Company holds 40% equity interest in Yuhua Thermal Power Company. The closing amounts of investments of Shijiazhuang Thermal Power Company and Huafeng Investment Company are RMB300,000,000 and RMB200,000,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
 (Expressed in Renminbi'000)

IV. Business combinations and the consolidated financial statements (Continued)
1 Background of major subsidiaries (Continued)
(3) Subsidiaries acquired through business combinations under non-common control

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)	Closing amount of minority interests RMB'000	Amount in Current period's minority interests used to offset the profit/(loss) attributable to minority shareholders RMB'000
Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	Limited company	Qingdao, the PRC	Bai Hua	1636000-3	Generation and sale of electricity and heat	700,000	345,668	55	55	Y	721,958	—
Weling Company (Note 6)	Limited company	Weling, the PRC	Bai Hua	16549339-4	Generation and sale of electricity and heat	1,250,000	823,483	45	45	Y	1,024,557	81,658
Huadian Zibo Thermal Power Company Limited ("Zibo Thermal Power Company")	Limited company	Zibo, the PRC	Xing Shizang	75470475-6	Generation and sale of electricity and heat	374,800	374,800	100	100	Y	—	—
Huadian Zhengguo Power Generation Company Limited ("Zhengguo Company")	Limited company	Zhengguo, the PRC	Bai Hua	70592974-1	Generation and sale of electricity and heat	750,000	617,077	87.50	87.50	Y	14,830	12,488
Tengzhou Thermal Power Company	Limited company	Tengzhou, the PRC	Bai Hua	16891985-6	Generation and sale of electricity and heat	474,172	424,400	89.26	89.26	Y	7,573	5,413
Zagunao Hydroelectric Company	Limited company	Lixian, the PRC	Wang Hui	75472823-3	Generation and sale of electricity	200,000	593,942	64	64	Y	187,547	—
Huainan Group Company (Note 7)	Limited company	Shijiazhuang, the PRC	Zhong Tonglin	75249820-0	Generation and sale of electricity and heat	538,000	986,895	100	100	Y	—	—
Huafeng Investment Company (Note 7)	Limited company	Shijiazhuang, the PRC	He Zengqun	75208749-2	Energy projects investment	977,300	—	96.68	96.68	Y	38,597	—
Hebei Fengyuan Industrial Company Limited ("Fengyuan Company") (Note 7)	Limited company	Shijiazhuang, the PRC	Wang Li	73024734-7	Sale of coal and chemical products	102,000	—	100	100	Y	—	—
Shanxi Dongji Zhongyou Coal Company Limited ("Dongji Coal Company") (Note 8)	Limited company	Shuzhou, the PRC	Diao Youling	X0243004-7	Resources consolidation, improvement and expansion services	12,180	—	70	70	Y	155,584	—

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
 (Expressed in Renminbi'000)

IV. Business combinations and the consolidated financial statements (Continued)
1 Background of major subsidiaries (Continued)
(3) Subsidiaries acquired through business combinations under non-common control (Continued)

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)	Closing amount of minority interests RMB'000	Amount in
												interests used to offset the profit/(loss) attributable to minority shareholders RMB'000
Shanxi Shuozhou Wotangyuan Espu Coal Company Limited (Espu Coal Company) (Note 8)		Shuozhou, the PRC	Diao Youlong	11147348-4	Resources consolidation, improvement and expansion services	10,000	—	70	70	Y	170,565	—
Shandong Century Electric Power Development Corporation Limited (Century Power Company) (Note 9)	Corporation limited	Longkou, the PRC	Bai Hua	16942322-6	Generation and sale of electricity and heat	488,000	2,120,369	84.31	84.51	Y	346,691	—
Shaoqian Pingshu Power Plant Company Limited (Pingshu Power Company) (Note 9)	Limited company	Lechang, the PRC	Ma Ruokang	61745169-6	Generation and sale of electricity	689,000	684,706	100	100	Y	—	—
Shijiazhuang Huaidan Heat Company Limited (Shijiazhuang Heat Company) (Note 10)	Limited company	Shijiazhuang, the PRC	Kang Jinchu	71836417-X	Sale of heat	207,370	—	69.18	98	Y	16,253	799
Shijiazhuang Huaidan Yuhua Heat Company Limited (Yuhua Heat Company) (Note 10)	Limited company	Shijiazhuang, the PRC	Lu Xijun	68292471-9	Sale of heat	129,400	—	94.48	100	Y	(3,506)	411
Shijiazhuang Huaidan Luhua Heat Company Limited (Luhua Heat Company) (Note 10)	Limited company	Shijiazhuang, the PRC	Xu Quangu	68292449-0	Sale of heat (under construction)	100,000	—	84.45	100	Y	2,285	—
Shijiazhuang Xijian Heat Company Limited (Xijian Heat Company) (Note 10)	Limited company	Shijiazhuang, the PRC	Wang Xuewei	74151235-6	Sale of heat	40,258	—	50.94	51.20	Y	(4,222)	6,883
Shijiazhuang Yuan Heat Company Limited (Yuan Heat Company) (Note 10)	Limited company	Shijiazhuang, the PRC	Xu Quangu	7777452-0	Sale of heat	10,000	—	100	100	Y	—	—
Shijiazhuang Beichang Heat Company Limited (Beichang Heat Company) (Note 10)	Limited company	Shijiazhuang, the PRC	Xu Quangu	74153211-9	Sale of heat	10,000	—	97.51	100	Y	—	—

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***IV. Business combinations and the consolidated financial statements (Continued)****1 Background of major subsidiaries (Continued)**

- (3) Subsidiaries acquired through business combinations under non-common control *(Continued)*

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital RMB'000	Closing amount of investment RMB'000	Percentage of equity interest held by the Company (%)	Percentage of voting rights held by the Company (%)	Included in consolidated financial statements (Y/N)	Closing amount of minority interests RMB'000	Amount in
												interests used to offset the profit/(loss) attributable to minority shareholders RMB'000
Shijichuang Shiqiang Heat Company Limited (Shiqiang Heat Company)	Limited company	Shijichuang, the PRC	Yu Quangui	66107527-6	Sale of heat	6,600	—	58.13	59	Y	(7,350)	—
Ningxia Zhongxing Power Generation Company Limited (Zhongxing Company)	Limited company	Zhongxing, the PRC	Ji Jun	75597054-2	Generation and sale of electricity	265,600	142,600	50	50	Y	251,644	—

Note 6: Although the Company's equity interest percentage and voting rights in Weifang Company are less than 50%, according to the articles of association of the company, the Company holds majority of seats in the Board of Directors and can participate in the financial and operating policy decisions of the company, and obtain benefits from its operating activity. As a result, the management of the Company determined that the Company is able to control Weifang Company and included it into the consolidated financial statements of the Company.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

1 Background of major subsidiaries (Continued)

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

Note 7: Subsidiaries of Huarui Group Company, a subsidiary of the Company, include Huafeng Investment Company, Fengyuan Company, Jingxing Huarui Power Generation Company Limited ("Jingxing Company"), Hebei Huarui Matou Thermal Power Company Limited ("Matou Thermal Power Company"), Shijiazhuang Guanghai Thermal Power Company Limited ("Guanghai Thermal Power Company") and Handan Wanxing Power Thermal Company Limited ("Wanxing Thermal Power Company"). The closing amounts of investments to Huafeng Investment Company, Fengyuan Company, Jingxing Company, Matou Thermal Power Company, Guanghai Thermal Power Company and Wanxing Thermal Power Company are RMB880,362,312, RMB168,096,000, RMB3,300,000, RMB5,140,800, RMB50,300,000 and RMB5,734,000 respectively.

Note 8: Dongyi Coal Company and Erpu Coal Company are the subsidiaries of Maohua Company, a subsidiary of the Company. The closing amounts of investments are RMB397,600,000 and RMB362,600,000 respectively.

Note 9: Subsidiaries of Century Power Company, a subsidiary of the Company, include Qingdao Guhe Power Generation Company Limited ("Guhe Company"), Longkou Dongyi Wind Power Company Limited ("Dongyi Wind Power Company") and Penglai East-sea Thermal Power Company Limited ("Donghai Thermal Power Company"). The closing amounts of investments to Guhe Company, Dongyi Wind Power Company and Donghai Thermal Power Company are RMB6,000,000, RMB6,000,000 and RMB51,120,000 respectively.

Note 10: Yuhua Heat Company and Luhua Heat Company are the subsidiaries of Shijiazhuang Heat Company, a subsidiary of the Company. The closing amounts of investments are RMB65,994,000 and RMB51,000,000 respectively.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***IV. Business combinations and the consolidated financial statements (Continued)**

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

- (1) Subsidiaries that are newly consolidated during the period

Name	Note	30 June 2011	Net profit/ (loss) for
		Net assets RMB'000	six months ended 2011 RMB'000
Zhongning Company	Note 1, Note 4	503,286	22,791
Wenhui Company	Note 2, Note 4	555,530	11
Hualin Company	Note 2, Note 4	50,017	17
Taihe Heat Company	Note 3	50,000	—
Laizhou Port Company	Note 3	107,565	—
Laizhou Wind Company	Note 3	39,985	(15)
Liupanshan Wind Power Company	Note 3	5,000	—

Note 1: Zhongning Power, which was a jointly controlled entity of the Company, is currently controlled by the Company from 1 January 2011. Details are referred to Note IV. 1(3) and IV. 6(1).

Note 2: Wenhui Company and Hualin Company are the subsidiaries newly acquired by the Company during the period. Details are referred to Note IV. 1(1) and IV. 7

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

Note 4: Zhongning Company, Wenhui Company and Hualin Company are the subsidiaries acquired during the period. Net profits for the current period of the above companies are net profits from acquisition date to the end of period.

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

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***IV. Business combinations and the consolidated financial statements (Continued)**

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

- (1) Acquisition of control over Zhongning Company

Zhongning Company was a jointly controlled entity of the Company and Ningxia Power Generation (Group) Company Limited ("Ningxia Power Company"). Pursuant to the cooperation agreement entered into between the Company and Ningxia Power Company on 24 November 2010, the financial and operating policies of Zhongning Company are governed by the Company from 1 January 2011. Therefore, Management of the Company believes that the Company could control the financial and operating policies of Zhongning Company from 1 January 2011 (the "acquisition date") so as to obtain benefits from Zhongning Company's activities.

Zhongning Company is a limited company established in Zhongning County, Zhongwei, Ningxia Hui Autonomous Region on 21 November 2002, and is principally engaged in the generation and sale of electricity. Zhongning Company's financial information are as follows:

Company Name	Operating income from acquisition date to 30 June 2011 <i>RMB'000</i>	Net profit from acquisition date to 30 June 2011 <i>RMB'000</i>	Net cash inflow from operating activities from acquisition date to 30 June 2011 <i>RMB'000</i>
Zhongning Company	555,402	22,791	148,092

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***IV. Business combinations and the consolidated financial statements (Continued)****6 Business combinations involving entities not under common control during the period (Continued)****(1) Acquisition of control over Zhongning Company (Continued)**

The identifiable assets and liabilities of the acquiree at the acquisition date:

Item	Acquisition date (1 January 2011)	
	Carrying amount RMB'000	Fair value RMB'000
Cash at bank and on hand	29,791	29,791
Receivables	130,043	130,043
Inventories	56,540	56,977
Long-term equity investments	7,323	7,323
Fixed assets	1,698,134	1,679,300
Intangible assets	—	58,610
Other non-current assets	20,000	20,000
Short-term loans	(80,000)	(80,000)
Payables	(68,541)	(68,541)
Long-term loans due within one year	(114,000)	(114,000)
Long-term loans	(1,181,000)	(1,181,000)
Deferred tax liabilities	(47,954)	(58,007)
Total identifiable net assets	<u>450,336</u>	480,496
Less: Minority interests		240,248
Fair value of previously-held equity interest of the acquiree before the acquisition date		240,248
Add: Goodwill		—
Consideration		<u>—</u>

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

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

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

(1) Acquisition of control over Zhongning Company *(Continued)*

At 31 December 2010, the carrying value of the Company's 50% equity interest in Zhongning Company was RMB227,237,000 base on equity method, of which the fair value was RMB240,248,000 at the acquisition date. The remeasurement to fair value in combination achieved in stages resulted in investment income of RMB13,011,000.

For the above identifiable assets which have an active market, the quoted prices in the active market are used to establish their fair value; if there is no active market, their fair value is estimated based on the market price of the same or similar types of assets which have an active market; if there is no active market for even the same asset or similar types of assets, valuation techniques will be used by the professional valuer to determine the fair value of identifiable assets based on the valuation report. The professional valuer used income method to evaluate the identifiable assets, and assumed that the existing state and local laws and regulations system, social and economic politics complied by Zhongning Company remained stable in the future. And the professional valuer also assumed that Zhongning Company would operate as a going concern and its operation style would be consistent. For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***IV. Business combinations and the consolidated financial statements (Continued)****7 Acquisition of other subsidiaries**

At the acquisition date of 27 May 2011, the Company acquired 51% equity interests of Wenhui Company and its subsidiary Hualin Company at a total consideration of RMB283 million. On the date of acquisition, Wenhui Company and its subsidiary were still under construction period and did not carry out any business operation, therefore, the portfolios of the assets and liabilities acquired does not constitute a business. Consequently, the cost of acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the acquisition date. The identifiable assets and liabilities of Wenhui Company and its subsidiary are as follows:

Item	Acquisition date (27 May 2011)		31 December 2010
	Carrying Amount RMB'000	Fair value RMB'000	Carrying Amount RMB'000
Cash at bank and on hand	108,298	108,298	48,096
Receivables	8,778	8,778	9,800
Intangible assets	61,846	735,945	61,846
Payables	(128,977)	(128,977)	(69,800)
Deferred tax liabilities	—	(168,525)	—
Total identifiable net assets	<u>49,945</u>	<u>555,519</u>	<u>49,942</u>

Wenhui Company previously owned 100% equity interest of Hualin Company. At 30 May 2011, Wenhui Company transferred all of its shares of Hualin Company to its former shareholder Anhui Yalimeng Electricity and New Material Company Limited and the Company with 49% and 51% equity interest respectively at the carrying amount. Upon the completion of the transaction, the Company obtained direct control of Hualin Company.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements****1 Cash at bank and on hand**

Item	30 June 2011			31 December 2010		
	Original currency '000	Exchange rate	RMB '000	Original currency '000	Exchange rate	RMB '000
Cash on hand:						
RMB			2,559			2,155
Cash at bank:						
RMB			4,902,757			1,231,666
US dollar	680	6.4716	4,401	6	6.6227	40
HK dollar	5	0.8316	4	5	0.8501	4
Other monetary fund:						
RMB			2,777			1,893
Guarantee deposits for bank acceptance bills payable:						
RMB			26,500			30,678
Total			<u>4,938,998</u>			<u>1,266,436</u>

As at 30 June 2011, the Group's deposits with banks due more than three months amounted to RMB78,364,000 (2010: RMB22,267,000), and all of which are guarantee deposits for bank acceptance bills payable or frozen deposits.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****2 Bills receivable**

- (1) Classification of bills receivable

Category	30 June 2011 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>
Bank acceptance bills	427,621	118,623

All of the above bills are due within one year.

No amount due from shareholders who holds 5% or more of the voting rights of the Group is included in the closing balance of bills receivable.

- (2) As at 30 June 2011, no commercial acceptance bills have been discounted by the Group.
- (3) At the end of the period, there are no acceptance bills transferred to accounts receivable due to non-performance for the issuers.

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****3 Trade receivables**

(1) Trade receivables by customer type:

Type	30 June 2011 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>
1. Trade receivables for sale of electricity	3,958,513	3,682,270
2. Trade receivables for sale of heat	202,770	199,691
Sub-total	4,161,283	3,881,961
Less: Provision for bad and doubtful debts	19,910	19,910
Total	4,141,373	3,862,051

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****3 Trade receivables (Continued)**

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

Ageing	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year (including one year)	4,136,489	3,848,414
Between one and two years (including two years)	3,871	9,064
Over three years	20,923	24,483
Sub-total	4,161,283	3,881,961
Less: Provision for bad and doubtful debts	19,910	19,910
Total	4,141,373	3,862,051

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

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)**V. Notes to the consolidated financial statements (Continued)****3 Trade receivables (Continued)**

(3) Trade receivables by category

Category	Note	30 June 2011				31 December 2010			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	(4)	3,999,169	96.10	19,910	0.50	3,602,781	92.81	19,910	0.55
Other insignificant trade receivables		162,114	3.90	—	—	279,180	7.19	—	—
Total		4,161,283	100.00	19,910	0.48	3,881,961	100.00	19,910	0.51

The Group does not hold any collateral over the above trade receivables which are impaired.

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

Content of trade receivables	Gross carrying amount	Provision for bad and doubtful debts	Percentage	Reason
	RMB'000	RMB'000	(%)	
Sale of electricity	12,722	12,722	100.00	Long ageing
Sale of Heat	8,201	7,188	87.65	Long ageing
Total	20,923	19,910	95.16	

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****3 Trade receivables (Continued)**

- (5) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant trade receivables in previous years.
- (6) The Group does not actually write-off any trade receivables during the period.
- (7) As at 30 June 2011, trade receivables due from the five biggest debtors of the Group

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total trade receivables (%)
1. SEPCO	Third party	1,870,057	Within one year	44.94
2. Henan Electric Power Company	Third party	384,892	Within one year	9.25
3. Ningxia Electric Power Company	Third party	370,308	Within one year	8.90
4. Guangdong Power Grid Corporation	Third party	291,044	Within one year	7.00
5. Sichuan Electric Power Corporation	Third party	262,360	Within one year (Note)	6.30
Total		<u>3,178,661</u>		<u>76.39</u>

Note: The ageing of the trade receivables amounted to RMB12,721,903, which is part of the receivables due from Sichuan Electric Power Corporation, is over five years. The Group fully recognised the amount as provision for bad and doubtful debts.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****3 Trade receivables (Continued)**

- (8) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of trade receivables.
- (9) As at 30 June 2011, derecognition of accounts receivable due to transfer of financial assets

Item	Amount derecognised RMB'000	Losses related to derecognition RMB'000
Trade receivable factoring without recourse	1,180,000	775

- (10) The Group does not securitize accounts receivable, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****4 Other receivables**

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

Ageing	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year (including one year)	433,010	323,692
Between one and two years (including two years)	66,079	79,808
Between two and three years (including three years)	144,311	146,311
Over three years	26,642	53,756
Sub-total	670,042	603,567
Less: Provision for bad and doubtful debts	2,858	2,858
Total	667,184	600,709

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

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)**V. Notes to the consolidated financial statements (Continued)****4 Other receivables (Continued)**

(2) Other receivables by category

Category	30 June 2011				31 December 2010			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant other receivables	595,212	88.83	2,266	0.38	521,937	86.48	2,266	0.43
Other insignificant other receivables	74,830	11.17	592	0.79	81,630	13.52	592	0.73
Total	670,042	100.00	2,858	0.43	603,567	100.00	2,858	0.47

The Group does not hold any collateral over the above other receivables which are impaired.

- (3) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant other receivables in previous years.
- (4) The Group does not actually write-off any other receivables during the period.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****4 Other receivables (Continued)**

- (5) As at 30 June 2011, other receivables due from the five biggest debtors

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total other receivables (%)
1. Shuozhou Xialiyuan Coal Co., Ltd.	Third party	81,184	Within one year	12.13
2. China Ping An Property Insurance Co., Ltd. Sichuan Branch	Third party	64,350	Between two and three years	9.60
3. China Pacific Property Insurance Co., Ltd. Sichuan Branch	Third party	51,480	Between two and three years	7.68
4. Linfen City Changfa Coal Coke Company Limited ("Linfen Changfa Company")	Related party	49,316	Between one and five years	7.36
5. Linfen Jinneng Coking Co., Ltd.	Third party	35,801	Between one and two years	5.34
Total		<u>282,131</u>		<u>42.11</u>

- (6) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of other receivables.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****4 Other receivables (Continued)**

- (7) The Group does not have derecognition of others receivable due to transfer of financial assets during the period.
- (8) The Group does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

5 Prepayments

- (1) Prepayments by category:

Category	30 June 2011 RMB'000	31 December 2010 RMB'000
Prepayments for purchase of fuel	737,042	710,622
Prepayments for purchase of materials	298,697	149,066
Total	1,035,739	859,688

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****5 Prepayments (Continued)**

(2) The prepayments by ageing

Ageing	30 June 2011		31 December 2010	
	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
Within one year (including one year)	1,001,619	96.70	792,180	92.15
Between one and two years (including two years)	29,382	2.84	63,273	7.36
Between two and three years (including three years)	4,059	0.39	3,743	0.43
Over three years	679	0.07	492	0.06
Total	1,035,739	100.00	859,688	100.00

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

As at 30 June 2011, the Group does not have individually significant prepayments with ageing over one year.

(3) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of prepayments.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****6 Inventories**

- (1) Inventories by category and an analysis of the movements of inventories for the period are as follows:

Item	Opening balance <i>RMB'000</i>	Increase for the period <i>RMB'000</i>	Decrease for the period <i>RMB'000</i>	Closing balance <i>RMB'000</i>
Coal, stalk and gas	1,210,681	20,458,209	(19,484,871)	2,184,019
Fuel oil	93,865	113,792	(88,469)	119,188
Materials, components and spare parts	530,728	775,801	(671,498)	635,031
Sub-total	1,835,274	21,347,802	(20,244,838)	2,938,238
Less: Provision for diminution in value of inventories	75,035	—	—	75,035
Total	1,760,239	21,347,802	(20,244,838)	2,863,203

- (2) Provision for diminution in value of inventories

Category of inventories	Opening balance <i>RMB'000</i>	Provision made for the period <i>RMB'000</i>	Decrease for the period		Closing balance <i>RMB'000</i>
			Reversal <i>RMB'000</i>	Write-off <i>RMB'000</i>	
Materials, components and spare parts	75,035	—	—	—	75,035

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****7 Other current assets**

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
VAT recoverable	1,468,478	1,070,284
Prepaid EIT	72,798	66,101
Others	1,272	602
Total	1,542,548	1,136,987

8 Available-for-sale financial assets

As at 30 June 2011, available-for-sale financial assets represent 7,169,100 shares of the Bank of Communications Co., Ltd. and 480,000 shares of Yantai Yuancheng Enterprise Group Co., Ltd. held by the Group, changes in fair value of the period, see Note IX. 3.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****9 Long-term receivables**

As at 30 June 2011, long-term receivables included receivables on loan principle and interest amounting to RMB66,373,565 (2010: RMB68,393,228) from Hebei New Resource Infrastructure Investment Company Limited ("New Resource Company") by Xijiao Heat Company, a subsidiary of the Company, bearing an interest rate at 90% of the benchmark interest rate by the People's Bank of China for the corresponding period, and entrusted loan principle amounting to RMB20,000,000 from Ningxia Power Company by Zhongning Company, a subsidiary of the Company, bearing an interest rate in accordance with the benchmark interest rate by the People's Bank of China for the corresponding period. The loans mentioned above are due in 1 December 2013 and 1 June 2013 respectively.

10 Long-term equity investments

(1) Long-term equity investments by category:

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Investments in jointly controlled entities	—	227,237
Investments in associates	9,741,457	9,024,644
Other long-term equity investments	261,759	261,063
Sub-total	10,003,216	9,512,944
Less: Provision for impairment	—	—
Total	10,003,216	9,512,944

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)

V. Notes to the consolidated financial statements (Continued)

10 Long-term equity investments (Continued)

- (2) An analysis of the movements of Long-term equity investments for the period is as follows:

Investee name	Investment	Movement of		Gains/	Transfer	Cash	Closing	Shareholding	Voting
	cost	Opening	additions and	(losses) in	of capital	dividends for			
	RMB'000	RMB'000	reductions	Investment	reserve	the period	RMB'000	(%)	(%)
Equity method-joint venture									
Zhongxing Company	142,800	227,237	(227,237)	—	—	—	—	—	—
Equity method-associates									
Ningxia Power Company	630,000	1,017,275	—	39,933	2,033	—	1,059,241	23.66	23.66
Anhui Chizhou Juhua Power Generation Company Limited ("Chizhou Company")	236,840	—	—	—	—	—	—	40	40
Huadian Property Co. Ltd. ("Huadian Property")	290,000	261,341	—	(261)	—	—	261,080	20	20
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	344,000	93,851	—	(6,505)	—	—	87,346	40	40
Huadian Coal Industry Group Company Limited ("Huadian Coal") (Note 1)	465,214	645,792	—	643,887	—	—	1,289,689	12.56	12.72
China Huadian Finance Corporation Limited ("China Huadian Finance") (Note 7)	661,085	993,483	—	43,788	(2,666)	(31,459)	1,003,146	15.91	16.46
Hengshui Hengqing Power Generation Company Limited ("Hengqing Company")	189,604	192,188	—	(3,189)	—	(10,060)	178,939	30	30
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	165,819	169,368	—	14,135	—	—	183,503	44.08	44.08
Xingtai Guotai Power Generation Company Limited ("Guotai Company")	208,842	192,742	—	(3,556)	—	(1,881)	187,305	33.84	35
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	435,396	438,647	—	18,559	—	(35,073)	422,133	33.84	35
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited ("Dongsheng Company")	112,812	136,382	—	14,012	—	(7,500)	143,494	19.34	20
Guodian Huailan Thermal Power Company Limited ("Huailan Company")	143,682	181,896	—	8,980	—	—	190,676	33.84	35
Qitug Front Banner Changcheng Mine Company Limited ("Changcheng Mine Company")	432,612	486,181	—	45,079	—	(22,592)	508,668	35	35

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
 (Expressed in Renminbi'000)

V. Notes to the consolidated financial statements (Continued)
10 Long-term equity investments (Continued)

(2) An analysis of the movements of Long-term equity investments for the period is as follows: (Continued)

Investee name	Investment	Movement of		Gains/	Transfer	Cash	Closing	Shareholding	Voting
	cost	Opening	additions and	(losses) in	of capital	dividends for			
	RMB'000	RMB'000	reductions	investment	reserve	the period	RMB'000	(%)	(%)
Inner Mongolia Fucheng Mining Company Limited ("Fucheng Mining Company")	498,042	572,673	—	71,193	—	(62,218)	581,648	35	35
Ningdong Railway Corporation Limited ("Ningdong Railway Company") (Note 1)	300,000	318,375	—	12,815	—	—	331,190	10	10
Lingfen Changfa Company	280,870	280,870	—	—	—	—	280,870	19.75	33
Qitong Front Banner Quarhui Trading Company Limited ("Quarhui Trading")	938,634	938,634	—	—	—	—	938,634	35	35
Qitong Front Banner Baihui Trading Company Limited ("Baihui Trading")	569,724	569,724	—	—	—	—	569,724	35	35
Qitong Front Banner Zhengtai Trading Company Limited ("Zhengtai Trading")	644,885	644,885	—	—	—	—	644,885	35	35
Ningxia Yimaing Coal Company Limited ("Yimaing Coal")	600,000	600,000	—	—	—	—	600,000	45	45
Sichuan Huayingshan Longtan Coal Power Company Limited ("Longtan Coal Company")	84,910	65,674	—	12,242	—	—	77,916	36	45
Other associates	172,795	203,863	(17,373)	(5,520)	—	—	180,970		
Sub-total	<u>8,628,676</u>	<u>9,024,644</u>	<u>(17,373)</u>	<u>905,602</u>	<u>(633)</u>	<u>(170,763)</u>	<u>9,741,457</u>		
Total	<u>8,771,476</u>	<u>9,251,881</u>	<u>(244,610)</u>	<u>905,602</u>	<u>(633)</u>	<u>(170,763)</u>	<u>9,741,457</u>		

Note 1: Although the Company's equity interest percentage and voting rights in Huadian Coal, China Huadian Finance and Ningdong Railway Company are less than 20%, according to the articles of association of the above three companies, the Company has the representative in the Board of Directors and can participate in the financial and operating policy decisions of them. As a result, the management of the Company determined that the Company has significant influence over Huadian Coal, China Huadian Finance and Ningdong Railway Company, and recognises them as associates.

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****10 Long-term equity investments (Continued)**

- (2) An analysis of the movements of Long-term equity investments for the period is as follows: *(Continued)*

Investee name	Investment	Movement of		Closing	Shareholding	Voting	Cash dividends
	cost	Opening balance	additions and reductions	balance	percentage	rights	for the period
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method							
Shandong Luneng Heze Coal Power Development Company Limited ("Luneng Heze Company")							
	103,609	103,609	—	103,609	12.21	12.21	—
Shanxi Jinchongnan Railway Coal Distribution Company Limited ("Jinchongnan Coal Company")							
	39,200	39,200	—	39,200	14	14	—
Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited ("Daduhe Hydropower Company")							
	17,500	17,500	—	17,500	5	5	—
Sichuan Huayingshan Coal Company Limited							
	20,000	20,000	—	20,000	2	2	—
Hebei Handan Thermal Power Corporation Limited ("Handan Thermal Power")							
	72,289	72,289	—	72,289	16	16	—
Other investment	8,465	8,465	696	9,161			—
Total	261,063	261,063	696	261,759			—

Interim Financial Report (PRC)

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)**V. Notes to the consolidated financial statements (Continued)****10 Long-term equity investments (Continued)****(3) Information of significant investment in associates**

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Closing balance of total assets	Closing balance of net assets	Operating income for the period
						RMB'000	RMB'000	RMB'000	RMB'000
Ningxia Power Company	Limited company	Yinchuan, the PRC	Liu Yingkuan	75000505-1	Generation and sale of electricity and investment holding	3,573,140	21,907,657	4,887,037	2,311,574
Chizhou Company	Limited company	Chizhou, the PRC	Wang Wenq	75090986-9	Generation and sale of electricity	640,000	1,940,177	—	476,505
Huadian Property	Limited company	Beijing, the PRC	Xin Baoan	77545281-1	Property development	1,450,000	3,392,482	1,405,402	158,087
Luzhou Company	Limited company	Luzhou, the PRC	Guo Yong	7672673-4	Generation and sale of electricity	200,000	4,323,478	273,366	1,141,819
Huadian Coal	Limited company	Beijing, the PRC	Deng Jianling	71093361-4	Provision of coal procurement service	3,657,143	23,315,697	11,930,745	5,485,503
China Huadian Finance	Limited company	Beijing, the PRC	Chen Fahu	11778303-7	Provision of corporate financial service to its group companies	5,000,000	28,453,000	6,152,457	611,013
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Company")	Limited company	Baoding, the PRC	He Zengyun	10956188-1	Generation and sale of electricity and heat	12,930	65,570	47,588	6,615
Hengqing Company	Limited company	Hengshui, the PRC	Wang Jinsheng	74341504-7	Generation and sale of electricity and heat	475,000	1,580,116	506,561	585,173
Yuzhou Wind Company	Limited company	Zhangjiakou, the PRC	Sun Xinlan	78842721-3	Generation and sale of electricity	384,000	1,542,099	404,115	83,877
Guotai Company	Limited company	Xingtai, the PRC	Wang Jinsheng	75244165-0	Generation and sale of electricity and heat	400,000	1,596,535	433,332	653,777
Xibaipo Company	Limited company	Shijiazhuang, the PRC	Wang Yongzhong	75343698-2	Generation and sale of electricity and heat	880,000	4,314,882	1,001,878	1,039,731
Dongsheng Company	Limited company	Ereduossi, the PRC	Miu Jun	78300656-3	Generation and sale of electricity and heat	500,000	3,272,600	747,468	484,115

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)

V. Notes to the consolidated financial statements (Continued)

10 Long-term equity investments (Continued)

(3) Information of significant investment in associates (Continued)

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Closing balance of total assets	Closing balance of net assets	Operating income for the period
						RMB'000	RMB'000	RMB'000	RMB'000
Huain Company	Limited company	Zhangjiakou, the PRC	Li Enyi	78981246-X	Generation and sale of electricity and heat	514,800	2,399,335	467,484	615,678
Changsheng Mine Company	Limited company	Inner Mongolia, the PRC	Shi Wei	77221211-8	Sale of mechanical equipments and accessories for coal mines	23,077	859,948	477,120	440,116
Fucheng Mining Company	Limited company	Inner Mongolia, the PRC	Shi Wei	78707803-8	Sale of ironstone and steel products	150,000	962,859	407,205	570,236
Lingfen Changfa Company	Limited company	Lin Fen, the PRC	Wang Changfa	74855404-6	Wholesale and retail of refined coal coke and etc.	10,000	531,005	9,672	—
Ningdong Railway Company	Corporation limited	Yin Chuan, the PRC	Bao Jinquan	69432300-6	Railway development and management	3,000,000	3,965,207	3,151,603	341,227
Quanhui Trading	Limited company	Inner Mongolia, the PRC	Fan Xibing	78300453-3	Building material, hardware & electrical & products, agriculture livestock products and electric products	5,000	172,282	5,000	—
Baihui Trading	Limited company	Inner Mongolia, the PRC	Fan Xibing	78300454-1	Building material, hardware & electrical & products, agriculture livestock products and electric products	5,000	52,161	5,000	—
Zhengtai Trading	Limited company	Inner Mongolia, the PRC	Wang Tao	76106842-1	Hardware & electro-mechanical products, dairy commodities, agriculture & livestock products wholesale and retail (under construction)	6,770	383,551	382,415	—
Yinxing Coal	Limited company	Yin Chuan, the PRC	Huang Jinhai	67040432-X	Development of coal mines	611,000	953,442	611,000	—

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)**V. Notes to the consolidated financial statements (Continued)****11 Fixed assets****(1) Fixed assets**

Item	Plants and	Generators	Mining	Others	Total
	buildings	and related machinery and equipment	structures and mining rights		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
I. Cost					
Opening balance for the period	27,537,825	75,412,017	205,874	1,881,015	105,036,731
Transferred from construction in progress	3,740,593	5,993,746	—	36,903	9,771,242
Additions from acquisition of subsidiaries	577,881	1,091,490	—	9,929	1,679,300
Net additions from sale and leaseback	—	(14,366)	—	—	(14,366)
Other additions for the period	—	8,669	—	13,008	21,677
Disposals for the period	—	(1,160)	—	(1,431)	(2,591)
Closing balance for the period	<u>31,856,299</u>	<u>82,490,396</u>	<u>205,874</u>	<u>1,939,424</u>	<u>116,491,993</u>
II. Accumulated depreciation					
Opening balance for the period	(6,490,477)	(22,982,548)	—	(1,005,985)	(30,479,010)
Charge for the period	(508,320)	(2,035,867)	—	(88,496)	(2,632,683)
Written-back on sale and leaseback	—	16,866	—	—	16,866
Written-back on disposals	—	1,151	—	1,280	2,431
Closing balance for the period	<u>(6,998,797)</u>	<u>(25,000,398)</u>	<u>—</u>	<u>(1,093,201)</u>	<u>(33,092,396)</u>
III. Net book value					
Closing balance for the period	<u>24,857,502</u>	<u>57,489,998</u>	<u>205,874</u>	<u>846,223</u>	<u>83,399,597</u>
Opening balance for the period	<u>21,047,348</u>	<u>52,429,469</u>	<u>205,874</u>	<u>875,030</u>	<u>74,557,721</u>

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

V. Notes to the consolidated financial statements (Continued)**11 Fixed assets (Continued)****(1) Fixed assets (Continued)**

As at 30 June 2011, the Group has the mortgaged fixed assets that have been restricted on the ownership. Details are referred to Note V. 19.

(2) As at 30 June 2011, the Group did not have any temporary idle fixed assets.**(3) As at 30 June 2011, the carrying amount of cost and net book value of the Group's generators acquired under finance leases according to the arrangement of sale and leaseback transaction is RMB252,500,000. During the period ended 30 June 2011, the amount of Group's fixed assets acquired according to the arrangement of sale and leaseback transaction increased RMB2,500,000. The period for the arrangement of sale and leaseback transaction is from 14 June 2011 to 14 June 2016. At the end of the lease period, the Group has an option to purchase the facilities at a nominal price of RMB1 after rent and other expenses are paid off.****(4) As at 30 June 2011, the Group did not have any fixed assets held for sale.****(5) As at 30 June 2011, the Group did have parts of fixed assets with pending certificates of ownership. The Board of Directors considered that the Group was entitled to lawfully and effectively occupy or the use of such fixed assets.**

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)**V. Notes to the consolidated financial statements (Continued)****12 Construction in progress**

Project	Budget amount RMB'000	Opening balance RMB'000	Additions through acquisition of subsidiaries RMB'000	Additions for the period RMB'000	Transfer to fixed assets RMB'000	Closing balance RMB'000	Percentage of input to budget (%)	Accumulated capitalised interest RMB'000	Including: capitalised interest for the period RMB'000	Source of funds
Laizhou Power Company Phase I generating units	7,120,000	616,798	—	203,128	—	819,926	11.5	185,120	57,060	Self-financing and bank loans
Guang'an Company Phase III generating units	4,490,400	378,381	—	63,265	—	441,646	90.2	32,187	8,935	Self-financing and bank loans
Lingyu Company Phase II generating units	7,669,000	2,372,441	—	4,596,374	(6,872,393)	96,422	90.9	—	38,890	Self-financing and bank loans
Luding Hydropower Company Phase I generating units	8,782,228	4,019,662	—	805,621	—	4,805,283	54.9	332,484	94,606	Self-financing and bank loans
Yuhua Thermal Power Company project	2,731,620	207,544	—	757	(170,453)	37,848	94.2	4,375	4,375	Self-financing and bank loans
Luhua Thermal Power Company Xijiao Thermal Power project	3,032,440	1,138,237	—	215,662	—	1,353,899	44.4	122,497	45,060	Self-financing and bank loans
Zagunao Hydroelectric Company Shiziping hydroelectric project	3,082,000	1,257,901	—	103,187	(1,256,801)	104,287	109.3	17,666	25,135	Self-financing and bank loans
Zagunao Hydroelectric Company Gucheng hydroelectric project	1,537,000	839,695	—	282,494	(1,101,771)	20,418	138.1	3,459	11,994	Self-financing and bank loans
Qidong Company Thermal Power project	2,810,000	573,129	—	366,593	—	959,722	34.2	95,385	28,540	Self-financing and bank loans
Zibo Thermal Power Company Phase II generating units	2,689,296	364,719	—	230,166	—	594,885	22.1	33,245	33,245	Self-financing and bank loans
Li'an Company Phase I generating units	2,612,000	65,337	—	35,863	—	101,200	3.9	46	46	Self-financing and bank loans
Desulphurisation, technical improvement projects and others		2,775,457	—	1,007,054	(369,824)	3,412,687		234,907	45,574	Self-financing and bank loans
		<u>14,608,301</u>	<u>—</u>	<u>7,930,164</u>	<u>(9,771,242)</u>	<u>12,768,223</u>		<u>1,061,371</u>	<u>394,460</u>	

The Group's carrying amount of construction in progress at the end of the period included capitalised borrowing cost of RMB1,061 million (2010: RMB1,340 million). The interest rate per annum at which the borrowing costs were capitalised for the period by the Group was 5.51% (2010: 5.25%).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)
(Expressed in Renminbi'000)

V. Notes to the consolidated financial statements (Continued)

13 Construction materials

Item	Opening balance RMB'000	Additions through acquisition RMB'000	Additions for the period RMB'000	Decreases for the period RMB'000	Closing balance RMB'000
Construction materials	879,631	—	1,742,825	(2,233,187)	389,269

14 Intangible assets

Item	Land use rights RMB'000	Mining rights and mineral rights RMB'000	Concession assets RMB'000	Others RMB'000	Total RMB'000
I. Cost					
Opening balance for the period	2,035,902	4,819,743	3,037,739	22,277	9,915,661
Additions for the period	40,693	—	185,910	1,054	227,657
Additions from acquisition of subsidiaries	58,610	735,945	—	—	794,555
Closing balance for the period	2,135,205	5,555,688	3,223,649	23,331	10,937,873
II. Accumulated amortisation					
Opening balance for the period	(278,500)	—	(86,118)	(7,702)	(372,320)
Charge for the period	(22,150)	—	(61,789)	(1,847)	(85,786)
Closing balance for the period	(300,650)	—	(147,907)	(9,549)	(458,106)
III. Net book value					
Closing balance for the period	1,834,555	5,555,688	3,075,742	13,782	10,479,767
Opening balance for the period	1,757,402	4,819,743	2,951,621	14,575	9,543,341

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

(Expressed in Renminbi'000)

V. Notes to the consolidated financial statements (Continued)

14 Intangible assets (Continued)

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

Mining right is a right to extract the mineral resources and obtain the extraction minerals, in the prescribed extension of excused mineral rights certification. Mineral exploration right is a right to conduct mineral exploration activities to estimate the ultimate value of the minerals underneath within the legal region according to the mineral exploration license. The application of mining rights can be made after the assessment work of mineral exploration rights has been completed, and the prospecting reports have been submitted and recorded in the Department of Land and Resources. After transferring to mining rights, the relevant costs of mineral exploration rights are stated in the balance sheet at cost less accumulated amortization and impairment losses, and are amortized using the units-of-production method.

Concession assets are recognised by Kailu Wind Power Company and Guyuan Wind Power Company, subsidiaries of the Company, according to service concession arrangements. The carrying amount of concession assets at the end of the period included capitalised borrowing cost of RMB30,825,000 (2010: RMB27,755,000). The interest rate per annum at which the borrowing costs were capitalised for the period by the Group was 5.51% (2010: 5.25%).

As at 30 June 2011, the Group has the mortgaged intangible assets that have been restricted on the ownership. Details are referred to Note V. 19.

As at 30 June 2011, the Group's total land use rights with indefinite life amounted to RMB459,077,000 (2010: RMB400,467,000). They were mainly land use rights assigned by the PRC's land bureau with indefinite land use period. The Company and its subsidiaries will perform annual impairment test on intangible assets with indefinite useful life at 2011 year end.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***V. Notes to the consolidated financial statements (Continued)****15 Goodwill**

Investee name	Note	Opening	Addition for	Decrease	Closing	Provision
		balance	the period	for the	balance	for
		RMB'000	RMB'000	the period	RMB'000	impairment
				RMB'000		at the
						period end
						RMB'000
Laicheng Plant	Note	12,111	—	—	12,111	—
Zibo Thermal Power Company	Note	4,555	—	—	4,555	—
Weifang Company	Note	20,845	—	—	20,845	—
Zagunao Hydroelectric Company	Note	16,011	—	—	16,011	—
Huarui Group Company	Note	54,164	—	—	54,164	—
Bainian Power Company	Note	342,490	—	—	342,490	—
Pingshi Power Company	Note	340,376	—	—	340,376	—
Total		<u>790,552</u>	<u>—</u>	<u>—</u>	<u>790,552</u>	<u>—</u>

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

The Company and its subsidiaries will perform annual impairment test on goodwill at 2011 year end.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****16 Deferred tax assets /deferred tax liabilities**

- (1) Deferred tax assets or liabilities and related deductible or taxable temporary differences after offsetting

Item	30 June 2011		31 December 2010	
	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)	Deductible/ (taxable) temporary differences	Deferred tax assets/ (liabilities)
	RMB'000	RMB'000	RMB'000	RMB'000
Provision for inventories and bad debts	126,928	30,091	123,640	29,269
Accrued salary expenses	40,703	10,136	38,204	9,505
Tax losses	2,024,616	506,143	1,801,344	441,227
Fair value adjustment	(5,298,924)	(1,300,157)	(4,650,094)	(1,137,923)
Long-term payables discounting	(665,291)	(166,323)	(688,650)	(172,163)
Depreciation of fixed assets	(3,803,966)	(951,156)	(3,367,817)	(841,994)
Others	52,885	13,222	134,477	33,620
Total	(7,523,049)	(1,858,044)	(6,608,896)	(1,638,459)
Offsetting amount		319,065		307,054
Amounts after offsetting presented in balance sheet				
Deferred tax assets		359,205		322,269
Deferred tax liabilities		(2,217,249)		(1,960,728)
Total		(1,858,044)		(1,638,459)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****16 Deferred tax assets /deferred tax liabilities (Continued)**

- (1) Deferred tax assets or liabilities and related deductible or taxable temporary differences after offsetting *(Continued)*

The movements of deferred tax assets and liabilities for the period

	Deferred tax assets/(liabilities)				Closing balance RMB'000
	Opening balance RMB'000	Movement charged to capital reserve RMB'000	Movement charged to income statement RMB'000	Acquisition of subsidiaries RMB'000	
Provision for inventories and bad debts	29,269	—	—	822	30,091
Accrued salary expenses	9,505	—	631	—	10,136
Tax losses	441,227	—	50,171	14,745	506,143
Fair value adjustment	(1,137,923)	(107)	16,451	(178,578)	(1,300,157)
Long-term payables discounting	(172,163)	—	5,840	—	(166,323)
Depreciation of fixed assets	(841,994)	—	(45,640)	(63,522)	(951,156)
Others	33,620	—	(20,398)	—	13,222
Total	(1,638,459)	(107)	7,055	(228,533)	(1,858,044)

- (2) Details of unrecognised deferred tax assets

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Deductible tax losses	3,891,205	2,989,186

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****16 Deferred tax assets /deferred tax liabilities (Continued)**

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

Year	30 June 2011 RMB'000	31 December 2010 RMB'000
2011	—	23,878
2012	20,391	9,945
2013	1,406,654	1,550,174
2014	155,927	149,800
2015	1,543,533	1,255,389
2016	764,700	—
Total	3,891,205	2,989,186

17 Other non-current assets

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Prepayments for investment	656,922	270,810

Prepayments for investment represent acquisition fund prepaid according to the investment agreement, and the Group is advancing the related agreements' implement according to the relevant requirements.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****18 Details of provisions for impairment**

Item	Note	Opening balance RMB'000	Charge for the period RMB'000	Decrease for the period		Closing balance RMB'000
				Reversal RMB'000	Write off RMB'000	
I. Provision for bad and doubtful debts						
Trade receivables	V.3	19,910	—	—	—	19,910
Other receivables	V.4	2,858	—	—	—	2,858
II. Provision for diminution in value of inventories	V.6(2)	75,035	—	—	—	75,035
Total		97,803	—	—	—	97,803

19 Restricted assets

As at 30 June 2011, the assets with restrictions placed on their ownership were as follows:

Category	Note	Opening balance RMB'000	Acquisition of subsidiaries RMB'000	Additions for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Assets used as guarantee and frozen fund						
— Cash at bank and on hand	V.1	30,678	—	75,328	(11,555)	94,451
— Trade receivables	V.3	55,699	—	246,536	(138,219)	164,016
— Fixed assets	V.11	111,383	—	—	(4,663)	106,720
— Intangible assets	V.14	107,919	—	—	(1,180)	106,739
Total		305,679	—	321,864	(155,617)	471,926

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****20 Short-term loans**

(1) Short-term loans by category

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Unsecured loans	28,818,673	24,249,330
Secured loans	147,000	50,000
Total	28,965,673	24,299,330

(2) As at 30 June 2011, the Group do not have any past due short-term loans.

21 Bills payable

Category	30 June 2011 RMB'000	31 December 2010 RMB'000
Bank acceptance bills	805,184	1,581,011
Commercial acceptance bills	23,000	5,000
Payment of domestic letter of credit on behalf of others	512,000	622,000
	1,340,184	2,208,011

The bills payable above are due within one year.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****22 Trade payables**

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

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Payables for coal and oil	1,817,074	1,314,599
Payables for construction, equipment and material	4,365,583	4,120,623
Payables for major overhaul and maintenance	102,944	67,059
Others	28,430	29,671
Total	6,314,031	5,531,952

As at 30 June 2011, the Group does not have any individually significant trade payables with ageing over one year.

The foreign currency included in the balance of trade payables amounted to USD704,683 (2010: USD704,683) at exchange rate 6.4716 (2010: 6.6227).

- (2) No amount due to shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of trade payables.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****23 Advances from customers**

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

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Sales of heat	47,001	530,862
Others	44,924	38,465
Total	91,925	569,327

As at 30 June 2011, the Group do not have any individually significant advances from customers with ageing over one year.

- (2) No amount due to shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of advances from customers.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****24 Wages payable**

Item	Opening balance RMB'000	Additions for the period RMB'000	Payments for the period RMB'000	Closing balance RMB'000
I. Wages, bonuses, allowances and subsidies	47,274	670,985	(577,980)	140,279
II. Staff welfare	—	51,591	(50,596)	995
III. Social insurances				
Including:				
1. Medical insurance	16,820	73,266	(67,566)	22,520
2. Pension insurance	6,447	179,351	(178,646)	7,152
3. Unemployment insurance	2,387	14,789	(14,819)	2,357
4. Work injury insurance	518	4,973	(5,138)	353
5. Maternity insurance	503	3,764	(3,665)	602
6. Supplementary pension insurance	401	46,135	(45,552)	984
IV. Housing fund	8,098	149,337	(144,149)	13,286
V. Termination benefits	11,172	—	(1,117)	10,055
VI. Labour union and staff education fund	36,308	24,994	(19,468)	41,834
VII. Others	265	8,050	(8,054)	261
Total	<u>130,193</u>	<u>1,227,235</u>	<u>(1,116,750)</u>	<u>240,678</u>

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

25 Taxes payable

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
VAT	138,902	84,106
EIT	27,737	63,815
Individual income tax	14,145	26,426
Education surcharge	18,540	11,531
City maintenance and construction tax	25,954	17,226
Land use tax	27,915	30,074
Others	39,370	37,157
Total	<u>292,563</u>	<u>270,335</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****26 Interests payable**

Item	30 June 2011 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>
Interests payable for loans	214,707	177,294
Interests payable for debentures	105,929	116,445
Total	<u>320,636</u>	<u>293,739</u>

27 Other payables

(1) Details of other payables are as follows:

Item	30 June 2011 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>
Amounts due to China Huadian	81,729	79,165
Amounts due to other related parties	8,211	14,907
Amounts due to third parties	<u>3,029,048</u>	<u>2,837,789</u>
Total	<u>3,118,988</u>	<u>2,931,861</u>

(2) Except for amounts due to China Huadian, no amount due to shareholders who hold 5% or more of the voting rights or other related parties of the Group is included in the closing balance of other payables.

(3) As at 30 June 2011, except for quality guarantee deposits of constructions, the Group does not have any individually significant payable items with ageing over one year.

(4) Amounts due to third parties mainly represent quality guarantee deposits of constructions.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****28 Short-term debentures payable**

Item	Opening balance RMB'000	Additions for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Short-term debentures	3,008,983	55,713	—	3,064,696

(1) Details of short-term debentures payable are as follows:

Debenture	Face value RMB'000	Date of issuance	Maturity period Days	Interest rate (%)	Issuance amount RMB'000	Opening balance RMB'000	Additions		Interest		Principle paid for the period RMB'000	Closing balance RMB'000
							for the period RMB'000	Discount amortisation RMB'000	accrued for the period RMB'000	Interest paid for the period RMB'000		
The first tranche of 2010 short- term debenture	100	1 September 2010	365	2.89	1,500,000	1,510,495	—	2,976	21,496	—	—	1,534,967
The second tranche of 2010 short- term debenture	100	6 December 2010	365	3.80	1,500,000	1,498,488	—	2,976	28,265	—	—	1,529,729
Total						3,008,983	—	5,952	49,761	—	—	3,064,696

As at 30 June 2011, the carrying amount of short-term debentures payable of the Group includes interest payable with the amount of RMB68,311,000 (2010: RMB18,550,000).

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****29 Non-current liabilities due within one year**

(1) Non-current liabilities due within one year by category are as follows:

Item	Note	30 June 2011 RMB'000	31 December 2010 RMB'000
Long-term loans due within one year	(2)	7,786,701	7,265,405
Debentures payable due within one year	V.31	1,496,785	—
Long-term payables due within one year	V.32	193,359	143,427
Total		9,476,845	7,408,832

As at 30 June 2011, the foreign currencies included in the balance of long-term loans due within one year amounting to USD3,164,172 and EUR1,873,202 (2010: USD102,233,512 and EUR1,356,202). The foreign currencies included in the balance of long-term payables due within one year amounting to USD7,787,873 (2010: USD8,063,177). The exchange rate of USD and EUR are 6.4716 and 9.3612 (2010: 6.6227 and 8.8065) respectively.

(2) Long-term loans due within one year

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Secured loans	976,375	940,375
Mortgaged loans	124,560	124,560
Guaranteed loans	34,712	43,435
Unsecured loans	6,651,054	6,157,035
Total	7,786,701	7,265,405

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****29 Non-current liabilities due within one year (Continued)**(2) Long-term loans due within one year *(Continued)*

- (a) At 30 June 2011, the top five largest long-term loans due within one year

Debtor	Loan starting date	Loan ending date	Currency	Interest rate (%)	30 June 2011 RMB'000
1. SITC	9 November 2009	8 November 2011	RMB	5.25	500,000
2. Industrial and Commercial Bank of China Limited. Beijing Xueyuan Road Subbranch	12 May 2010	11 May 2012	RMB	5.76	400,000
3. SITC	28 December 2006	17 December 2011	RMB	5.37	250,000
4. Bohai Bank	25 December 2009	25 December 2011	RMB	5.04	248,000
5. Hebei Bank	29 April 2009	29 April 2012	RMB	5.76	230,000
Total					<u>1,628,000</u>

- (b) As at 30 June 2011, the Group do not have any overdue loans in the balance of long-term loans due within one year.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****30 Long-term loans**

(1) Long-term loans by category

Item	30 June 2011 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>
Unsecured loans	48,144,731	42,372,697
Secured loans	12,902,825	12,474,825
Mortgaged loans	1,942,440	2,004,720
Loans guaranteed by third parties	450,798	423,011
Loans guaranteed by China Huadian	134,570	132,568
Loans guaranteed by SEPCO	17,177	17,578
Less: Long-term loans due within one year	<u>7,786,701</u>	<u>7,265,405</u>
Total	<u>55,805,840</u>	<u>50,159,994</u>

As at 30 June 2011, the foreign currencies included in the balance of long-term loans amounting to USD4,954,755 and EUR21,635,322 (2010: USD5,885,414 and EUR22,830,423) at exchange rate 6.4716 and 9.3612 (2010: 6.6227 and 8.8065) respectively.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****30 Long-term loans (Continued)**

(2) As at 30 June 2011, the top five largest long-term loans

Debtor	Loan	Loan	Currency	Interest rate (%)	30 June	31 December
	starting date	ending date			2011	2010
					RMB'000	RMB'000
1. Syndicated Loans (Note 1)	26 December 2005	26 December 2025	RMB	5.76	3,060,000	3,080,000
2. Syndicated Loans (Note 2)	28 June 2006	18 June 2022	RMB	6.12	2,200,000	2,300,000
3. Syndicated Loans (Note 3)	27 June 2007	26 June 2022	RMB	6.8	1,942,440	2,004,720
4. Industrial and Commercial Bank of China Co., Ltd. Hangzhou Chengzhan Subbranch	1 December 2003	31 December 2019	RMB	5.346-5.526	1,550,000	1,550,000
5. Industrial and Commercial Bank of China Co., Ltd. Guang'an Branch	29 December 2005	29 December 2020	RMB	5.346-6.12	1,500,000	1,500,000
Total					10,252,440	10,434,720

Note 1: Syndicated Loans above included Bank of China Co., Ltd. Chengdu Development West District Subbranch, China Development Bank Co., Ltd. Sichuan Branch, Industrial and Commercial Bank of China Co., Ltd. Chengdu Zhiquan Subbranch and China Huadian Finance.

Note 2: Syndicated Loans above included China Development Bank Co., Ltd. Beijing Branch, Industrial and Commercial Bank of China Co., Ltd. Anhui Branch, Bank of Communications Co., Ltd. Wuhu Branch, Bank of Communications Co., Ltd. Beijing Branch and China Huadian Finance.

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****31 Debentures payable**

Item	Opening balance RMB'000	Additions for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Medium-term notes	5,346,441	8,028	—	5,354,469
Less: Debentures payable due within one year	—	1,496,785	—	1,496,785
	<u>5,346,441</u>	<u>(1,488,757)</u>	<u>—</u>	<u>3,857,684</u>

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

Debenture	Face value RMB	Date of issuance	Maturity period	Interest rate (%)	Issuance amount RMB'000	Opening balance RMB'000	Additions for the period RMB'000	Discount amortisation RMB'000	Closing balance RMB'000
The first tranche of 2009 medium-term notes	100	17 March 2009	From 18 March 2009 to 18 March 2012	3.38	1,500,000	1,494,556	—	2,229	1,496,785
The second tranche of 2009 medium-term notes	100	25 March 2009	From 26 March 2009 to 26 March 2014	3.96	1,500,000	1,485,460	—	2,230	1,487,690
The first tranche of 2010 medium-term notes	100	30 August 2010	From 31 August 2010 to 31 August 2015	3.78	2,400,000	2,366,425	—	3,569	2,369,994
Total						<u>5,346,441</u>	<u>—</u>	<u>8,028</u>	<u>5,354,469</u>

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****32 Long-term payables**

Item	Note	30 June 2011 RMB'000	31 December 2010 RMB'000
Payables for mining rights		389,287	389,287
Payables for debts	(1)	827,260	875,081
Payables for central heating construction		110,662	113,769
Obligations under finance leases	(2)	250,000	—
Less: Long-term payables due within one year		193,359	143,427
Total		1,383,850	1,234,710

As at 30 June 2011, the foreign currencies included in the balance of long-term payables amounting to USD120,041,476 (2010: USD124,070,398) at exchange rate 6.4716 (2010: 6.6227).

(1) Payables for debts

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****32 Long-term payables (Continued)**

(2) Obligations under finance leases

As at 30 June 2011, the obligations under finance leases are as follows:

	30 June 2011		31 December 2010	
	Present value of minimum lease payments RMB'000	Minimum lease payments RMB'000	Present value of minimum lease payments RMB'000	Minimum lease payments RMB'000
Within one year (including one year)	56,392	58,547	—	—
Between one and two years (including two years)	53,095	58,547	—	—
Between two and five years (including five years)	140,513	175,644	—	—
	<u>250,000</u>	<u>292,738</u>	<u>—</u>	<u>—</u>
Less: Finance expenses not recognized		<u>(42,738)</u>		<u>—</u>
Obligations under finance leases		<u>250,000</u>		<u>—</u>

(3) No amount due to shareholders who hold 5% or more of the voting rights of the Group is included in the closing balance of long-term payables.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****33 Other non-current liabilities**

As at 30 June 2011, the other non-current liabilities included deferred income arising from cash received on heating pipe network construction amounting to RMB904,353,000 and deferred government grants amounting to RMB335,526,000. The above mentioned deferred income and deferred government grants are amortized over the estimated useful life of related assets using the straight-line method.

34 Share capital

	30 June 2011 RMB'000	31 December 2010 RMB'000
Share capital	6,771,084	6,771,084

The share capital of the Company included A shares with restriction on disposals amounting to RMB150,000,000, and shares without restriction on disposals amounting to RMB6,621,084,200.

35 Capital reserve

Item	Opening balance RMB'000	Additions for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Share premiums	3,918,948	—	—	3,918,948
Other capital reserves	593,480	2,027	(2,255)	593,252
Total	4,512,428	2,027	(2,255)	4,512,200

Other capital reserves mainly represent government grants as state capital injection and share of an associate's fair value movements of available-for-sale financial assets and share premium, etc.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****36 Surplus reserve**

Item	Opening balance <i>RMB'000</i>	Additions for the period <i>RMB'000</i>	Closing balance <i>RMB'000</i>
Statutory surplus reserve	1,465,465	—	1,465,465
Discretionary surplus reserve	68,089	—	68,089
Total	<u>1,533,554</u>	<u>—</u>	<u>1,533,554</u>

37 Retained profits

Item	Note	Amount <i>RMB'000</i>	Appropriation rate
Opening balance retained profits		3,109,795	
Add: Net profit attributable to equity shareholders of the Company		<u>118,908</u>	
Closing balance retained profits	(1)	<u>3,228,703</u>	

(1) Retained profits at the end of the period

As at 30 June 2011, no surplus reserve made by the subsidiaries for the period included in the consolidated retained profits attributable to the Company (2010: RMB47,541,000).

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under CAS and the amount determined under International Financial Reporting Standards ("IFRSs").

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****38 Operating income and Operating costs**

(1) Operating income and Operating costs

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Revenue from principal activities	26,397,470	21,798,417
Revenue from other operating activities	99,036	70,212
Operating costs	24,370,695	19,919,365

(2) Principal activities (by industry/by product)

Industry/ product name	30 June 2011		30 June 2010	
	Operating income RMB'000	Operating costs RMB'000	Operating income RMB'000	Operating costs RMB'000
Sale of electricity	24,938,951	22,679,423	20,883,986	18,791,422
Sale of heat	1,458,519	1,631,007	914,431	1,092,024
Total	26,397,470	24,310,430	21,798,417	19,883,446

(3) Principal activities (by geographical area)

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****38 Operating income and Operating costs (Continued)**

- (4) Operating income from the top five customers in the six months of 2011

Customer name	Operating income RMB'000	Percentage of total operating income (%)
1. SEPCO	11,833,676	44.66
2. Sichuan Electric Power Corporation	2,747,252	10.37
3. Ningxia Electric Power Company	2,091,658	7.89
4. Henan Electric Power Company	1,810,412	6.83
5. Zhejiang Electric Power Company	1,592,729	6.02
Total	<u>20,075,727</u>	<u>75.77</u>

39 Sales taxes and surcharges

Item	Six months ended 30 June		Taxation basis and rates
	2011 RMB'000	2010 RMB'000	
City maintenance and construction tax	51,904	56,660	1-7% of VAT payable
Education surcharge	43,577	36,968	3-5% of VAT payable
Total	<u>95,481</u>	<u>93,628</u>	

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****40 General and Administrative Expenses**

General and administrative expenses mainly include emission fee, entertainment fee, coal management fee occurred after entering into plants, professional fee, transportation fee and other general and administrative expenses.

41 Finance expenses

Item	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Interest expenses from loans and payables	2,705,990	1,889,966
Less: Borrowing costs capitalised	394,460	320,425
Interest income from deposits and receivables	(24,666)	(10,150)
Net exchange gains	(43,964)	(31,364)
Other finance expenses	4,221	3,147
Total	2,247,121	1,531,174

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****42 Investment income**

(1) Investment income by item

Item	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Income from long-term equity investments under cost method		—	7,123
Income from long-term equity investments under equity method	(2)	337,706	203,736
Gain on dilution of an associate	(3)	567,896	—
Investment income from the remeasurement to fair value of previously-held equity interest before step acquisition	IV.6(1)	13,011	—
Investment income from holding available-for-sale financial assets		—	624
Total		918,613	211,483

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****42 Investment income (Continued)**

- (2) Investees from which long-term equity investment income under equity method accounting for the top five of the total profit of the Company and its subsidiaries are as follows:

Investee	Six months ended 30 June		Reason for movements for the period
	2011 RMB'000	2010 RMB'000	
Huadian Coal	76,001	38,558	Profit or loss from normal operations
Fucheng Mining Company	71,193	40,555	Profit or loss from normal operations
Changcheng Mine Company	45,079	17,860	Profit or loss from normal operations
China Huadian Finance	43,788	21,742	Profit or loss from normal operations
Ningxia Power Company	39,933	22,701	Profit or loss from normal operations

- (3) Gain on dilution of an associate

Huadian Coal Industry Group Company Limited ("Huadian Coal") is an associate of the Group and the Group effectively holds 17.94% equity interest in Huadian Coal as at 31 December 2010. In March 2011, three strategic investors participated in the capital enlargement of Huadian Coal with total capital injection of RMB6,000,000,000. As a result of the capital injection, the Group's effective equity interest in Huadian Coal has been diluted to 12.56% and a gain on the dilution of RMB567,896,000 has been recognized by the Group, among which, RMB527,502,000 is recognized by the Company.

43 Reversal of impairment

Item	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Reversal for bad and doubtful debts	—	6,362

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****44 Non-operating income**

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

Item	Note	Six months ended 30 June		Amount recognized in extraordinary gain and loss
		2011 RMB'000	2010 RMB'000	
Gains on disposal of fixed assets		2,234	799	2,234
Government grants	(2)	98,167	76,924	93,862
CERs income		37,743	—	—
Others		28,387	14,517	28,387
Total		166,531	92,240	124,483

(2) Details of government grants

Item	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
VAT refunding of wind and stalk power generation (Note 1)	4,305	3,567
Tax refunding of sale of heat (Note 2)	5,630	12,895
Grants of eliminating backward production facilities	9,000	11,250
Grants of sale of heat	17,676	43,417
Grants of sale of electricity	29,720	—
Interest subsidies	6,978	14
Others	24,858	5,781
Total	98,167	76,924

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****44 Non-operating income (Continued)**(2) Details of government grants *(Continued)*

Note 1: According to Notice of VAT Policy for Comprehensive Utilisation of Resources and Other Products (Cai Shui [2008] No.156) issued by the Ministry of Finance and the State Administration of Taxation, the Group's wind and stalk power generation earned the VAT refund policies.

Note 2: According to Notice of continue implementing the preferential taxation policies on VAT, Property Tax and the Urban Land Use Tax (Cai Shui [2009] No.11) issued by the Ministry of Finance and the State Administration of Taxation, the Group's revenue from sale of heat from 2010 to 2011 earned the tax refund policies.

45 Non-operating expenses

Item	Six months ended 30 June		Amount recognized in extraordinary gain and loss
	2011 RMB'000	2010 RMB'000	
Losses on disposal of fixed assets	11	—	11
CERs expenses	2,798	—	—
Others	4,001	1,452	4,001
Total	6,810	1,452	4,012

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****46 Income tax**

Item	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Income tax for the period based on tax law and corresponding regulations		37,752	68,170
Deferred taxation adjustments	(1)	(7,055)	(51,272)
Under-provision for income tax in respect of preceding year		381	932
Total		<u>31,078</u>	<u>17,830</u>

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

Item	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Origination and reversal of temporary differences	<u>(7,055)</u>	<u>(51,272)</u>

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****46 Income tax (Continued)**

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

Item	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
Profit before taxation	125,232	66,953
Expected income tax at a tax rate of 25%	31,308	16,738
Add: Non-deductible expenses	1,866	13,703
Non-taxable income	(98,686)	(57,942)
Effect of preferential tax rate of subsidiaries on income tax	(43,563)	(56,757)
Under-provision in respect of preceding year	381	932
Tax losses	139,772	101,156
Income tax	31,078	17,830

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****47 Calculation of basic earnings per share and diluted earnings per share**

(1) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit of the Company attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding

	Six months ended 30 June	
	2011	2010
Consolidated net profit of the Company attributable to ordinary shareholders (RMB'000)	118,908	35,359
Weighted average number of ordinary shares outstanding ('000 share)	6,771,084	6,771,084
Basic earnings per share (RMB)	0.018	0.005

Calculation of weighted average number of ordinary shares is as follows:

	Six months ended 30 June	
	2011	2010
	'000 share	'000 share
Issued ordinary shares at 1 January	6,771,084	6,771,084
Effect of shares issued	—	—
Weighted average number of ordinary shares at 30 June	6,771,084	6,771,084

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****47 Calculation of basic earnings per share and diluted earnings per share (Continued)**

(2) Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the period ended 30 June 2011, therefore the diluted earnings per share is the same as the basic earnings per share.

48 Other comprehensive income

Item	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
1. Gains/(losses) arising from available-for-sale financial assets	429	(19,406)
Less: Tax expenses arising from available-for-sale financial assets	107	(4,854)
Sub-total	322	(14,552)
2. Share of other comprehensive income of investees accounted for under the equity method	(5,165)	(7,608)
Less: Reclassification adjustments for amounts transferred to profit or loss	(2,499)	—
Sub-total	(2,666)	(7,608)
Total	(2,344)	(22,160)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****49 Notes to cash flow statement**

(1) Other cash received relating to operating activities

Item	Amount <i>RMB'000</i>
Cash received relating to other operating activities	72,591
Others	97,608
Total	<u>170,199</u>

(2) Other cash paid relating to operating activities

Item	Amount <i>RMB'000</i>
Cash paid relating to administrative expenses	481,520
Cash paid relating to cash receipt from sale of electricity which collected on behalf of others under trade receivables factoring	330,000
Others	51,340
Total	<u>862,860</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****49 Notes to cash flow statement (Continued)**

(3) Other cash received relating to investing activities

Item	Amount <i>RMB'000</i>
Interest income	23,488
Cash received relating to guarantee for acquisition	50,000
Cash received relating to guarantee for bidding	18,594
Total	<u>92,082</u>

(4) Other cash received relating to financing activities

Item	Amount <i>RMB'000</i>
Cash received relating to bills financing	50,000
Government grants	444,349
Total	<u>494,349</u>

(5) Other cash paid relating to financing activities

Item	Amount <i>RMB'000</i>
Cash repaid relating to bills financing	400,000
Others	74,501
Total	<u>474,501</u>

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****50 Information of cash flow statement**

(1) Supplement to cash flow statement

Supplement	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	94,154	49,123
Add: Reversal of impairment provisions for assets	—	(6,362)
Depreciation of fixed assets	2,612,411	2,226,255
Amortisation of intangible assets	85,786	17,934
Gains on disposal of fixed assets	(2,223)	(799)
Finance expenses	2,247,121	1,531,174
Direct cost for acquisition	400	3,740
Gains arising from investments	(918,613)	(211,483)
Increase in deferred tax assets	(36,936)	(40,009)
Increase/(decrease) in deferred tax liabilities	29,882	(11,263)
Increase in gross inventories	(1,045,987)	(390,264)
Increase in operating receivables	(874,182)	(615,789)
Increase in operating payables	149,409	1,629,777
Net cash flow from operating activities	2,341,222	4,182,034

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****50 Information of cash flow statement (Continued)**(1) Supplement to cash flow statement *(Continued)*

Supplement	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
2. Change in cash and cash equivalents:		
Cash at the end of the period	4,844,547	1,779,295
Less: Cash at the beginning of the period	1,235,758	1,241,900
Net increase in cash and cash equivalents	3,608,789	537,395

(2) Information on acquisition of subsidiaries during the period

Item	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
1. Consideration of acquisition	283,315	2,779,299
2. Cash and cash equivalents paid for acquiring subsidiaries	115,754	2,150,000
Add: Cash and cash equivalents paid for last year acquiring subsidiaries in current period	100,997	—
Less: Cash and cash equivalents held by subsidiaries	138,089	163,138
3. Net cash paid for the acquisition	78,662	1,986,862
4. Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	195,798	713,809
Non-current assets	2,501,178	7,103,549
Current liabilities	(391,518)	(1,617,309)
Non-current liabilities	(1,407,532)	(3,945,098)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***V. Notes to the consolidated financial statements (Continued)****50 Information of cash flow statement (Continued)**

(3) Details of cash and cash equivalents

Item	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
1. Cash at bank and on hand		
Including: Cash on hand	2,559	2,287
Bank deposits available on demand	4,839,211	1,776,095
Other monetary fund available on demand	2,777	913
2. Closing balance of cash and cash equivalents	4,844,547	1,779,295

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

VI. Related party and related party transactions**1 Parent of the Company**

Company name	Related party relationship	Type	Registered place	Legal representative	Business nature	Registered capital RMB'000	Percentage of equity interest to the Company (%)	Percentage of voting right to the Company (%)	Organisation code
China Huadian	Ultimate controlling party	State-owned enterprise	Beijing, the PRC	Yun Gongmin	Development, construction and operation management of electricity related business, organisation of production and sale of electricity and heat	12,000,000	47.21%(Note)	47.21	71093107-X

Note: This included 1.27% equity interest, 85,862,000 shares of H shares, which were held through China Huadian Hong Kong Co., Ltd. (a wholly owned subsidiary of China Huadian).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***VI. Related party and related party transactions *(Continued)***

- 2 Please refer to Note IV. 1 for the information related to subsidiaries of the Company.
- 3 Please refer to Note V. 10 (3) for information related to jointly controlled entity and associates of the Company.
- 4 Other related parties

Name of other related parties	Related party relationship	Organisation code
SITC	Holding 11.83% equity interest of the Company	16304514-X
Huadian Engineering and its subsidiaries	Controlled by China Huadian	10001149-5
CHD Operation	Controlled by China Huadian	71093481-X
Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Company")	Controlled by China Huadian	80144508-5
Huadian Technology & Trade Co., Ltd. ("Huadian Technology & Trade")	Controlled by China Huadian	71092444-3
Huadian Tendering Co., Ltd. ("Huadian Tendering")	Controlled by China Huadian	71093130-1
China Huadian Group Capital Holdings Limited ("CHD Capital")	Controlled by China Huadian	71093480-1
China Fortune International Trust Co., Ltd ("Fortune Trust")	Controlled by China Huadian	19352565-4

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

The below transactions with related parties were conducted under normal commercial terms or relevant agreements.

- (1) Table of related party transactions concerning sale and purchase of goods, rendering of or receiving services

The Group

Related party	Type of related party transaction	Six months ended 30 June			
		2011		2010	
		Amount RMB'000	Percentage on the same deals (%)	Amount RMB'000	Percentage on the same deals (%)
Huadian Engineering and its subsidiaries	Construction expenses and Equipment expenses (Note 1)	29,173	0.56	27,758	0.42
China Huadian, SITC, China Huadian Finance, Fortune Trust, Huadian Tendering and CHD Operation	Interest expense (Note 1)	344,529	14.13	213,336	11.29
CHD Capital	Agency fees (Note 1)	280	100.00	760	100.00
Huadian Coal	Coal services fees (Note 1)	20,739	100.00	34,013	100.00
Ningdong Railway Company	Fuel transportation fees (Note 1)	14,618	0.73	—	—
Huadian Technology & Trade	Property management services fees (Note 1)	3,530	29.88	3,530	29.63

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

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

The Group (Continued)

Related party	Type of related party transaction	Six months ended 30 June			
		2011		2010	
		Amount RMB'000	Percentage on the same deals (%)	Amount RMB'000	Percentage on the same deals (%)
Hengxing Company, Guotai Company, Xibaipo Company and Xingtai Xiangtai Thermal Power Company Limited ("Xiangtai Company")	Purchase of electricity (Note 1)	31,333	26.33	216,638	39.34
Huacheng Company, Xiangtai Company	Sale of electricity rights (Note 1)	5,949	3.27	76,038	11.80
Shijiazhuang Heat Company and its subsidiaries	Sale of heat (Note 1)	—	—	358,560	39.21
China Huadian Finance, Linfen Changfa Company and Ningxia Power Company	Interest income (Note 1)	15,070	61.22	5,837	57.51
Key management personnel	Payment of remuneration	1,927	0.16	1,914	0.22
Huadian Coal	Purchase of coal (Note 1)	714,642	3.65	—	—

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

(Expressed in Renminbi)

VI. Related party and related party transactions (Continued)**5 Transactions with related parties (Continued)**

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

The Company

Related party	Type of related party transaction	Six months ended 30 June			
		2011		2010	
		Amount RMB'000	Percentage on the same deals (%)	Amount RMB'000	Percentage on the same deals (%)
China Huadian, SITC, China Huadian Finance, Fortune Trust and Materials Company	Interest expense (Note 1)	133,101	29.00	70,344	17.98
Huadian Technology & Trade	Property management services fees (Note 1)	3,530	59.22	3,530	43.48
China Huadian Finance and Shantou Company	Interest income (Note 1)	3,216	32.75	323	13.40
Key management personnel	Payment of remuneration	1,927	0.71	1,914	0.78

Note 1: The pricing of the related party transactions mentioned above is based on the market price and the principal of fair consultation.

- (2) Related party lease

Table of transactions concerning leasing in:

The Group and the Company

Lessor name	Lessee name	Assets leased	Lease starting date	Lease ending date	Rationale for justifying lease expense RMB'000	Lease expenses recognized in the period RMB'000
Anfu Company	The Company	China Huadian Building	1 April 2009	31 March 2012	Trustee area	24,501

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

- (3) As at 30 June 2011, related party guaranty of the Group and the Company

The Group

Guarantor	Guarantee	Amount of guaranty RMB'000	Guaranty starting date	Guaranty ending date	Guaranty completed (Y/N)
Guaranty provided Zhongning Company	Ningxia Power Company	29,850	28 December 2004	21 December 2019	N
Guang'an Company	Longtan Coal Company	175,457	9 January 2006	14 April 2022	N
Guaranty received China Huadian	Banshan Company	134,570	25 June 2004	30 May 2022	N

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

- (3) As at 30 June 2011, related party guaranty of the Group and the Company *(Continued)*

The Company

Guarantor	Guarantee	Amount of guaranty RMB'000	Guaranty starting date	Guaranty ending date	Guaranty completed (Y/N)
The Company	Luding Hydropower Company	100,000	27 December 2006	20 December 2013	N
The Company	Suzhou Biomass Energy Company	148,200	29 July 2008	29 July 2025	N
The Company	Ningdong Wind Power Company	30,000	13 March 2009	12 February 2023	N
The Company	Kailu Wind Power Company	421,750	31 May 2009	9 August 2026	N
The Company	Suzhou Company	97,000	29 December 2009	19 August 2019	N
The Company	Kailu Wind Power Company	400,000	27 September 2011	27 September 2022	N
The Company	Maohua Company	380,000	30 July 2013	29 July 2015	N
The Company	Maohua Company	250,000	8 January 2014	7 January 2016	N

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

(4) Related party borrowing and refunding

The Group

Related party	Borrowing Amount RMB'000	Refunding Amount RMB'000
China Huadian	208,444	—
SITC	717,390	1,000,000
China Huadian Finance	3,460,000	2,462,360
CHD Operation	—	30,000
Huadian Tendering	150,000	50,000
Fortune Trust	400,000	—
Total	4,935,834	3,542,360

The Company

Related party	Borrowing Amount RMB'000	Refunding Amount RMB'000
China Huadian	2,948	—
SITC	—	1,000,000
China Huadian Finance	910,000	50,000
Fortune Trust	400,000	—
Total	1,312,948	1,050,000

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

(5) Commitment with related parties

As at 30 June 2011, commitment with related parties is as follows:

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Capital commitment	149,952	85,427
Commitment on properties rental and management fees	<u>42,046</u>	<u>70,077</u>
Total	<u>191,998</u>	<u>155,504</u>

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

Item	Related party	30 June 2011 RMB'000	31 December 2010 RMB'000
Related party receivables			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	57,725	91,760
Prepayments for fuel transportation	Ningdong Railway Company	5,025	1,007
Entrusted loans	Linfen Changfa Company	49,316	48,068
Deposit	China Huadian Finance	2,149,899	604,821
Trade receivables for sales of electricity rights	Huacheng Company and Xiangtai Company	6,960	11,584
Entrusted loans	Ningxia Power Company	20,000	—
Related party payables			
Other payables	China Huadian	(81,729)	(79,165)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(80,488)	(51,628)
Trade Payables for coal services fees	Huadian Coal	(20,739)	(1,115)
Loans from shareholders	China Huadian and SITC	(3,297,209)	(3,371,375)
Other Loans	China Huadian Finance, Huadian Tendering, CHD Operation and Fortune Trust	(9,665,857)	(8,198,217)
Trade Payables for purchase of coal	Huadian Coal	(52,244)	—
Prepayments for purchase of coal	Huadian Coal	40,628	—

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

Item	Related party	30 June 2011 RMB'000	31 December 2010 RMB'000
Related party receivables			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	15	178
Entrusted loans	Shantou Company	57,163	55,365
Deposits	China Huadian Finance	132,269	30,478
Prepayments for purchase of materials	Material Company	800	800
Related party payables			
Other payables	China Huadian	(81,529)	(78,965)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	(77)	(54)
Loans from shareholders	China Huadian and SITC	(1,118,868)	(2,115,920)
Other Loans	China Huadian Finance and Fortune Trust	(3,760,000)	(2,500,000)
Prepayments for purchase of fuel	The Company's subsidiaries	212,733	375,093

VII. Contingencies**1 Contingent liabilities arising from guarantees provided for other entities and related financial effect**

Except for the financial guarantees given by the Group as set in Note VI. 5(3), the Group does not have any other contingent liabilities arising from providing guarantees.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***VIII. Significant commitments****1 Capital commitments**

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Investment contracts entered into but not performed or performed partially	1,578,300	615,000
Construction contracts entered into but not performed or performed partially	11,918,953	13,169,436
Construction contracts authorised but not contracted	9,969,818	14,737,261
Total	23,467,071	28,521,697

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

2 Operating lease commitments

According to those non-cancellable operating lease agreements in respect of land and buildings, the total future minimum lease payments of the Group as at 30 June 2011 and 31 December 2010 are as follows:

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year (including one year)	68,285	79,937
Between one and two years (including two years)	30,888	43,102
Between two and three years (including three years)	29,440	29,869
Over three years	376,304	390,794
Total	504,917	543,702

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(CONTINUED)

(Expressed in Renminbi)

IX. Other material events

1 Segment reporting

The Group's principal operating business is the generation and sale of electricity in the PRC. Based on the structure of the Group's internal organisation, management requirements and the internal reporting system, the Group determines that it only has one reportable segment, which is the generation and sale of electricity in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed. The Group's transaction information has been disclosed in Note V. 38. The Group's major external customer is the grid operator in relation to the sale of electricity and the revenue has been disclosed in Note V. 38 and Note IX. 2(1).

2 Risk analysis, sensitivity analysis, and fair values for financial instruments

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad hoc reviews of risk management controls and procedures.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)****(1) Credit risk**

The Group's credit risk is primarily attributable to receivables, exposure to these credit risks are monitored by management on an ongoing basis.

In respect of receivables, the Group has established a credit policy. All the customers of the Group have long-term business relationship with it, of which are mainly grid companies and thermal companies that rarely have credit loss. For monitoring the credit risk, the Group analysed its customers' information through ageing and other factors. Receivables from grid companies and thermal companies are due within 30 days and 90 days respectively from the date of billing. Normally, the Group does not obtain collateral from customers. In respect of other receivables, the Group performed individual credit evaluations on customers' financial status regularly to monitor credit risk. Provision for bad and doubtful debts meets management's expectation.

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

Ageing	30 June 2011 RMB'000	31 December 2010 RMB'000
Not past due	3,509,097	3,689,343
Past due within three months (including three months)	463,671	50,635
Past due three to six months (including six months)	146,336	42,631
Past due six months to one year (including one year)	17,385	72,376
Past due over one year	3,871	2,493
Total	4,140,360	3,857,478

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(CONTINUED)

(Expressed in Renminbi)

IX. Other material events *(Continued)*

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

(1) Credit risk *(Continued)*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date 66% (2010: 69%) of the total trade receivables and other receivables were due from the five largest customers of the Group. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The maximum exposure to credit risk is represented by the carrying amount of trade receivables in the balance sheet. Except for the financial guarantees given by the Group and the Company as set out in Note VI 5(3), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note VI 5(3).

(2) Liquidity risk

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)****(2) Liquidity risk (Continued)**

At the balance sheet date, rest of contractual term and the earliest payment date required of the contractual cash flows belonging to the Group's financial assets and liabilities which have not been discounted, including interests calculated on contractual interest rate (if the interest rate is float, the actual interest rate as at 30 June 2011 and 31 December 2010 is adopted) are as follows:

Item	30 June 2011					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Financial assets						
Cash at bank and on hand	4,938,998	—	—	—	4,938,998	4,938,998
Receivables	5,237,020	—	—	—	5,237,020	5,236,178
Available-for-sale financial assets	43,335	—	—	—	43,335	43,335
Long-term receivables	5,362	25,251	68,390	—	99,003	86,374
Sub-total	10,224,715	25,251	68,390	—	10,318,356	10,304,885

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)****(2) Liquidity risk (Continued)**

Item	30 June 2011					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Financial liabilities						
Short-term loans	(29,947,894)	—	—	—	(29,947,894)	(28,965,673)
Short-term debentures payable	(3,100,350)	—	—	—	(3,100,350)	(3,064,696)
Long-term loans (including due within one year)	(11,209,966)	(11,042,842)	(27,310,113)	(35,533,365)	(65,096,286)	(63,592,541)
Debentures Payable (including due within one year)	(1,686,513)	(150,120)	(4,140,627)	—	(5,977,260)	(5,354,469)
Payables	(11,348,848)	—	—	—	(11,348,848)	(11,346,879)
Long-term payables (including due within one year)	(199,130)	(1,241,388)	(182,692)	—	(1,623,210)	(1,577,209)
Sub-total	<u>(57,492,701)</u>	<u>(12,434,350)</u>	<u>(31,633,432)</u>	<u>(35,533,365)</u>	<u>(137,093,848)</u>	<u>(113,901,467)</u>
Total	<u>(47,267,986)</u>	<u>(12,409,099)</u>	<u>(31,565,042)</u>	<u>(35,533,365)</u>	<u>(126,775,492)</u>	<u>(103,596,582)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)****(2) Liquidity risk (Continued)**

Item	31 December 2010					Balance sheet carrying amount
	Contractual undiscounted cash flow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash at bank and on hand	1,266,436	—	—	—	1,266,436	1,266,436
Receivables	4,583,720	—	—	—	4,583,720	4,581,383
Available-for-sale financial assets	42,906	—	—	—	42,906	42,906
Long-term receivables	4,032	4,032	72,425	—	80,489	68,393
Sub-total	5,897,094	4,032	72,425	—	5,973,551	5,959,118

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

(Expressed in Renminbi)

IX. Other material events (Continued)**2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)**

(2) Liquidity risk (Continued)

Item	31 December 2010					Balance sheet carrying amount RMB'000
	Contractual undiscounted cash flow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Financial liabilities						
Short-term loans	(24,890,017)	—	—	—	(24,890,017)	(24,299,330)
Short-term debentures payable	(3,100,350)	—	—	—	(3,100,350)	(3,008,983)
Long-term loans (including due within one year)	(10,169,406)	(11,173,517)	(22,499,840)	(32,245,867)	(76,088,630)	(57,425,399)
Debentures payable	(200,172)	(1,700,474)	(4,289,913)	—	(6,190,559)	(5,346,441)
Payables	(11,105,218)	—	—	—	(11,105,218)	(11,103,420)
Long-term payables (including due within one year)	(143,427)	(456,380)	(778,330)	—	(1,378,137)	(1,378,137)
Sub-total	<u>(49,608,590)</u>	<u>(13,330,371)</u>	<u>(27,568,083)</u>	<u>(32,245,867)</u>	<u>(122,752,911)</u>	<u>(102,561,710)</u>
Total	<u>(43,711,496)</u>	<u>(13,326,339)</u>	<u>(27,495,658)</u>	<u>(32,245,867)</u>	<u>(116,779,360)</u>	<u>(96,602,592)</u>

The Group settles the short-term liquidity risk related to the maturity of the loan through financing RMB3,084,820,000 after the balance sheet date up to 31 July 2011.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)****(3) Interest rate risk**

Interest-bearing financial instruments at floating rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively.

(a) As at 30 June 2011 and 31 December 2010, the Group held the following interest-bearing financial instruments:

Item	30 June 2011		31 December 2010	
	Annual interest rate (%)	Amount RMB'000	Annual interest rate (%)	Amount RMB'000
Fixed rate instruments				
Financial assets				
— Other receivables	3.30-6.65	69,316	2.50-5.40	68,068
— Long-term receivables	5.76	66,374	5.76	68,393
Financial liabilities				
— Short-term loans	4.37-6.94	(14,750,182)	4.37-5.56	(18,419,210)
— Long-term loans (including due within one year)	2.25-5.40	(2,934,597)	2.25-5.40	(2,879,084)
— Short-term debentures payable	2.89-3.80	(3,064,696)	2.89-3.80	(3,008,983)
— Debentures payable (including due within one year)	3.38-3.96	(5,354,469)	3.38-3.96	(5,346,441)
Total		(25,968,254)		(29,517,257)

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)****(3) Interest rate risk (Continued)**

(a) As at 30 June 2011 and 31 December 2010, the Group held the following interest-bearing financial instruments: *(Continued)*

Item	30 June 2011		31 December 2010	
	Annual interest rate (%)	Amount RMB'000	Annual interest rate (%)	Amount RMB'000
Floating rate instruments				
Financial assets				
— Cash at bank and on hand	0.50-3.05	4,938,998	0.36-2.20	1,266,436
— Long-term receivables	6.65	20,000	—	—
Financial liabilities				
— Short-term loans	2.46-7.57	(14,215,491)	2.50-5.81	(5,880,120)
— Long-term loans (including due within one year)	0.98-7.48	(60,657,944)	0.98-6.40	(54,546,315)
— Other payables	5.68	(68,780)	5.23	(68,780)
Total		<u>(69,983,217)</u>		<u>(59,228,779)</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(CONTINUED)

(Expressed in Renminbi)

IX. Other material events *(Continued)*

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

(3) Interest rate risk *(Continued)*

(b) Sensitivity analysis

As at 30 June 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's equity and net profit by RMB578,263,000 (2010: RMB488,163,000).

The sensitivity analysis above indicates the instantaneous change in the net profit and equity that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to re-measure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

(4) Foreign currency risk

In respect of accounts receivables and payables denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)****(4) Foreign currency risk (Continued)**

- (a) The Group's exposure as at 30 June 2011 and 31 December 2010 to currency risk arising from recognised major assets or liabilities denominated in foreign currencies is as follows. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

Item	30 June 2011		31 December 2010	
	USD RMB'000	EUR RMB'000	USD RMB'000	EUR RMB'000
Short-term loans	(1,385,016)	—	(649,120)	—
Long-term loans (including due within one year)	(52,542)	(220,068)	(716,039)	(212,999)
Trade payables	(4,560)	—	(4,667)	—
Long-term payables (including due within one year)	(827,260)	—	(875,081)	—
Net balance sheet exposure	<u>(2,269,378)</u>	<u>(220,068)</u>	<u>(2,244,907)</u>	<u>(212,999)</u>

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

Item	Average rate		Reporting date mid-spot rate	
	30 June 2011 RMB'000	30 June 2010 RMB'000	30 June 2011 RMB'000	31 December 2010 RMB'000
USD	6.5407	6.8252	6.4716	6.6227
EUR	9.1870	9.0742	9.3612	8.8065

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)**(4) Foreign currency risk *(Continued)*

(c) Sensitivity analysis

Assuming all other risk variables remained constant, a 10% strengthening of the Renminbi against the US dollar and Euro at 30 June 2011 and 31 December 2010 would have increased equity and net profit by the amount shown below, whose effect is in RMB and translated using the spot rate at the balance sheet date.

Item	Shareholders' equity RMB'000	Net profit RMB'000
As at 30 June 2011		
USD	170,203	170,203
EUR	16,505	16,505
Total	186,708	186,708
As at 31 December 2010		
USD	168,368	168,368
EUR	15,975	15,975
Total	184,343	184,343

A 10% weakening of the Renminbi against the US dollar and Euro at 30 June 2011 and 31 December 2010 would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

Interim Financial Report (PRC)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(CONTINUED)

(Expressed in Renminbi)

IX. Other material events *(Continued)*

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

(4) Foreign currency risk *(Continued)*

(c) Sensitivity analysis *(Continued)*

The sensitivity analysis above assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2010.

(5) Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 30 June 2011 across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***IX. Other material events (Continued)****2 Risk analysis, sensitivity analysis, and fair values for financial instruments (Continued)****(5) Fair values (Continued)****(a) Financial instruments carried at fair value (Continued)**

Assets	Note	Level I RMB'000	Level II RMB'000	Level III RMB'000	Total RMB'000
Available-for-sale financial assets	V. 8	43,335	—	—	43,335

During the period ended 30 June 2011, there were no significant transfers between instruments in Level 1 and Level 2, and there were no changes in valuation technique of fair value.

(b) All financial assets and liabilities are carried at amounts not materially different from their fair values as at 30 June 2011 and 31 December 2010.**(6) Estimation and assumption of fair values**

The following summarises the major methods and assumptions used in estimating the fair values of available-for-sale financial assets and items set out in Note IX 2(5) above that measured at fair value on the balance sheet date.

(a) Available-for-sale financial assets

Fair value is based on quoted market prices at the balance sheet date for available-for-sale financial assets if there is an active market.

(b) Receivables

The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***IX. Other material events *(Continued)*****2 Risk analysis, sensitivity analysis, and fair values for financial instruments *(Continued)*****(6) Estimation and assumption of fair values *(Continued)*****(c) Loans, debentures payable and long-term payables**

The fair value of loans, debentures payable and long-term payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

(d) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(e) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are based on the market interest rate and the interbank debenture market maturity yield at the balance sheet date plus an adequate credit spread and are as follows:

Item	2011 Interest rate adopted (%)	2010 Interest rate adopted (%)
Long-term receivables	5.99	5.76
Long-term loans (including due within one year)	5.67-5.99	5.27-5.76
Debentures payable (including due within one year)	3.70-3.90	3.83-4.31

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***IX. Other material events (Continued)****3 Assets at fair value**

Item	Opening balance RMB'000	Additions from acquisition RMB'000	Increase for the period RMB'000	Changes in fair value for the period RMB'000	Decrease for the period RMB'000	Closing balance RMB'000
Available-for-sale financial assets	42,906	—	—	429	—	43,335

X. Notes to major items in the parent's financial statements**1 Trade receivables**

(1) Trade receivables by customer type:

Type	30 June 2011 RMB'000	31 December 2010 RMB'000
1. Trade receivables for sale of electricity	570,600	662,257
2. Trade receivables for sale of heat	37,320	5,338
Sub-total	607,920	667,595
Less: Provision for bad and doubtful debts	—	—
Total	607,920	667,595

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

Ageing	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year (including one year)	607,920	667,595

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***X. Notes to major items in the parent's financial statements
(Continued)****1 Trade receivables (Continued)**

(3) Accounts receivable by category:

Category	Note	30 June 2011				31 December 2010			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
		Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)	Amount RMB'000	Percentage (%)
Individually significant amounts	(4)	607,848	99.99	—	—	662,257	99.20	—	—
Other insignificant trade receivables	(4)	72	0.01	—	—	5,338	0.80	—	—
Total		607,920	100.00	—	—	667,595	100.00	—	—

(4) The Company does not make provision for bad and doubtful debts on trade receivables.

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

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

Name of enterprise	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total trade receivables (%)
1. SEPCO	Third party	570,600	Within one year	93.86
2. Zaozhuang Heat Corporation	Third party	37,248	Within one year	6.13
Total		607,848		99.99

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT***(CONTINUED)****(Expressed in Renminbi)***X. Notes to major items in the parent's financial statements
(Continued)****1 Trade receivables (Continued)**

- (7) No amount due from shareholders who hold 5% or more of the voting rights or other related parties of the Company is included in the closing balance of trade receivables.
- (8) The Company does not derecognize of any accounts receivable due to transfer of financial assets during the period.
- (9) The Company does not securitize accounts receivable, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

2 Other receivables

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

Ageing	30 June 2011 RMB'000	31 December 2010 RMB'000
Within one year (including one year)	1,483,892	2,127,738
Between one and two years (including two years)	1,044,738	509,735
Between two and three years (including three years)	24,449	13,170
Over three years	14,112	3,102
Sub-total	2,567,191	2,653,745
Less: Provision for bad and doubtful debts	2,709	2,709
Total	2,564,482	2,651,036

The ageing is counted starting from the date other receivables is recognized.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***X. Notes to major items in the parent's financial statements
(Continued)****2 Other receivables (Continued)**

(2) Other receivables by category

Category	30 June 2011				31 December 2010			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts	2,550,652	99.36	2,266	0.09	2,583,279	97.34	2,266	0.09
Other insignificant other receivables	16,539	0.64	443	2.68	70,466	2.66	443	0.63
Total	2,567,191	100.00	2,709	0.11	2,653,745	100.00	2,709	0.10

The Company does not hold any collateral over the other receivables which are impaired.

- (3) The Group does not receive or recover any provision for bad and doubtful debts made in full or in significant portion on individually significant other receivables in previous years.
- (4) The Company does not actually write-off any other receivables during the period.
- (5) The analysis of significant other receivables is as follows:

Other receivables	Relationship with the Company	Amount RMB'000	Ageing	Percentage of total other receivables (%)
1. Amounts due from subsidiaries	Subsidiary	2,435,108	Within one year	94.85
2. Petty cash	Third party	9,983	Within one year	0.39
Total		2,445,091		95.24

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***X. Notes to major items in the parent's financial statements
(Continued)****2 Other receivables (Continued)**

- (6) No amount due from shareholders who hold 5% or more of the voting rights of the Company is included in the closing balance of other receivables.
- (7) Except amounts due from subsidiaries mentioned above in (5), there was no amount due from related parties of the Company in the closing balance of other receivables.
- (8) The Company does not derecognize of any other receivables due to transfer of financial assets during the period.
- (9) The Company does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

3 Long-term receivables

Long-term receivables represent debts due from Shijiazhuang Heat Company, Yuhua Heat Company, Xijiao Heat Company, Yuxi Heat Company, Beicheng Heat Company and Shiguang Heat Company to the Company.

4 Long-term equity investments

- (1) Long-term equity investments by category:

Item	30 June 2011 RMB'000	31 December 2010 RMB'000
Investments in subsidiaries	21,375,981	20,182,452
Investments in jointly controlled entities	—	227,237
Investments in associates	7,742,175	7,048,064
Other long-term equity investments	160,309	160,309
Total	29,278,465	27,618,062

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***X. Notes to major items in the parent's financial statements
(Continued)****4 Long-term equity investments (Continued)**

- (2) An analysis of the movements of long-term equity investments for the period is as follows:

Investee name	Investment costs RMB'000	Opening balance RMB'000	Movement of additions and deductions RMB'000		Closing balance RMB'000	Shareholding percentage (%)	Voting rights (%)	Cash dividends for the period RMB'000
Cost method-subidiaries								
Guang'an Company	1,267,577	1,267,577	—	—	1,267,577	80	80	—
Qingdao Company	345,668	345,668	—	—	345,668	55	55	—
Weifang Company	823,483	823,483	—	—	823,483	45	45	—
Zibo Thermal Power Company	374,800	374,800	—	—	374,800	100	100	—
Zhangjiu Company	617,077	617,077	—	—	617,077	87.5	87.5	—
Tengzhou Thermal Power Company	424,400	424,400	—	—	424,400	93.26	93.26	—
Xinxiang Company	372,100	372,100	—	—	372,100	90	90	—
Suzhou Company	829,267	829,267	—	—	829,267	97	97	—
Lingwu Company	1,332,655	1,332,655	—	—	1,332,655	65	65	120,370
Luding Hydropower Company	1,266,090	1,266,090	—	—	1,266,090	100	100	—
Wuhu Company	644,046	644,046	—	—	644,046	65	65	—
Zouxian Company	2,070,000	2,070,000	—	—	2,070,000	69	69	—
Luohe Company	475,300	475,300	—	—	475,300	75	75	—
Kailu Wind Power Company	797,128	797,128	—	—	797,128	100	100	—
Shijiazhuang Thermal Power Company	908,511	908,511	—	—	908,511	82	82	—
Banshan Company	386,724	386,724	—	—	386,724	64	64	—
Zagunao Hydroelectric Company	593,942	495,382	98,560	—	593,942	64	64	—
Maohua Company	1,547,000	1,547,000	—	—	1,547,000	100	100	—
Guyuan Wind Power Company	336,100	336,100	—	—	336,100	100	100	—
Huarui Group Company	966,895	966,895	—	—	966,895	100	100	—
Qudong Company	231,740	201,740	30,000	—	231,740	90	90	—

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***X. Notes to major items in the parent's financial statements
(Continued)****4 Long-term equity investments (Continued)**

- (2) An analysis of the movements of long-term equity investments for the period is as follows *(Continued)*:

Investee name	Investment costs RMB'000	Opening balance RMB'000	Movement of additions and deductions RMB'000	Closing balance RMB'000	Shareholding percentage (%)	Voting rights (%)	Cash dividends for the period RMB'000
Kezuozhongji Wind Power Company	80,000	60,000	20,000	80,000	100	100	—
Ningdong Wind Power Company	140,000	90,000	50,000	140,000	100	100	50,871
Laizhou Company	207,500	7,500	200,000	207,500	75	75	—
Lu'an Company	109,180	99,180	10,000	109,180	95	95	—
Century Power Company	2,120,369	2,120,369	—	2,120,369	84.31	84.31	—
Pingshi Power Company (Note 1)	684,706	684,706	—	684,706	100	100	—
Yueliangshan Wind Power Company	65,000	35,000	30,000	65,000	100	100	—
Luhua Thermal Power Company	337,475	283,475	54,000	337,475	90	90	—
Zhongning Company	142,800	—	227,237	227,237	50	50	—
Liupanshan Wind Power Company	5,000	—	5,000	5,000	100	100	—
Laizhou Port Company	69,917	—	69,917	69,917	65	65	—
Laizhou Wind Company	40,000	—	40,000	40,000	100	100	—
Wenhui Company	283,315	—	283,315	283,315	51	51	—
Hualin Company	25,500	—	25,500	25,500	51	51	—
Other subsidiaries	370,279	320,279	50,000	370,279			27,721
Total	21,291,544	20,182,452	1,193,529	21,375,981			198,962

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

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***X. Notes to major items in the parent's financial statements
(Continued)****4 Long-term equity investments (Continued)**

- (2) An analysis of the movements of long-term equity investments for the period is as follows *(Continued)*:

Investee name	Investment costs RMB'000	Opening balance RMB'000	Movement of additions and deductions RMB'000	Adjustments under equity method			Closing balance RMB'000	Shareholding percentage (%)	Voting rights (%)
				Gains/(losses) in investment RMB'000	Transfer of capital reserve RMB'000	Cash dividends for the period RMB'000			
Equity method-joint venture									
Zhongxing Company	--	227,237	(227,237)	--	--	--	--	--	--
Equity method-Associates									
Ningxia Power Company	630,000	1,017,275	--	39,933	2,033	--	1,059,241	23.66	23.66
Chizhou Company	258,940	--	--	--	--	--	--	40	40
Huadian Property	290,000	281,341	--	(261)	--	--	281,080	20	20
Luzhou Company	344,000	93,851	--	(6,505)	--	--	87,346	40	40
Huadian Coal	432,414	600,270	--	598,167	--	--	1,198,437	11.82	11.82
China Huadian Finance	796,533	901,043	--	39,714	(2,418)	(25,678)	912,461	14.93	14.93
Changcheng Mine Company	452,612	486,181	--	45,079	--	(22,582)	506,668	35	35
Fucheng Mining Company	498,042	572,673	--	71,193	--	(62,218)	581,648	35	35
Ningdong Railway Company	300,000	318,375	--	12,815	--	--	331,190	10	10
Quanhui Trading	938,834	938,834	--	--	--	--	938,834	35	35
Baihui Trading	569,724	569,724	--	--	--	--	569,724	35	35
Zhengjia Trading	644,885	644,885	--	--	--	--	644,885	35	35
Yinning Coal	600,000	600,000	--	--	--	--	600,000	45	45
Other associates	23,243	23,612	6,000	(951)	--	--	28,661	--	--
Sub-total	<u>6,779,227</u>	<u>7,048,064</u>	<u>6,000</u>	<u>799,184</u>	<u>(385)</u>	<u>(110,688)</u>	<u>7,742,175</u>		
Total	<u>6,779,227</u>	<u>7,275,301</u>	<u>(221,237)</u>	<u>799,184</u>	<u>(385)</u>	<u>(110,688)</u>	<u>7,742,175</u>		

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**(CONTINUED)***(Expressed in Renminbi)***X. Notes to major items in the parent's financial statements
(Continued)****4 Long-term equity investments (Continued)****(2) Other long-term equity investments (Continued)**

Investee name	Investment costs RMB'000	Opening balance RMB'000	Movement of additions and deductions RMB'000	Closing balance RMB'000	Shareholding percentage (%)	Voting rights (%)	Cash dividends for the period RMB'000
Cost method-other long-term equity investment							
Luneng Heze Company	103,609	103,609	—	103,609	12.21	12.21	—
Jinzhongnan Coal Company	39,200	39,200	—	39,200	14	14	—
Daduhe Hydropower Company	17,500	17,500	—	17,500	5	5	—
Total	160,309	160,309	—	160,309			—

For information on subsidiaries of the Company, see Note IV. 1.

(3) For information on associates of the Company, see Note V. 10.**5 Operating income and Operating costs****(1) Operating income and Operating costs**

Item	Six months 30 June 2011 RMB'000	2010 RMB'000
Operating income from principal activities	4,106,188	4,314,906
Other operating income	30,471	25,118
Operating costs	3,994,564	4,048,732

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***X. Notes to major items in the parent's financial statements (Continued)****5 Operating income and Operating costs (Continued)**

(2) Principal activities (by industry/by product)

Industry/ product	30 June 2011		30 June 2010	
	Operating income RMB'000	Operating costs RMB'000	Operating income RMB'000	Operating costs RMB'000
Sale of electricity	4,019,277	3,884,101	4,262,084	3,983,272
Sale of heat	86,911	104,128	52,822	59,220
Total	4,106,188	3,988,229	4,314,906	4,042,492

(3) Principal activities (by geographical area)

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

(4) Operating income from the top five customers

Customer name	Operating income RMB'000	Percentage of total operating income (%)
1. SEPCO	4,019,277	97.16
2. Zaozhuang Heat Corporation	49,710	1.20
3. Zoucheng Heat Company	28,651	0.69
4. Zouxian Company	24,116	0.58
5. Laiwu Gas and Heat Company Limited	8,550	0.22
Total	4,130,304	99.85

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***X. Notes to major items in the parent's financial statements (Continued)****6 Investment income**

(1) Investment income by item

Item	Note	Six months ended 30 June	
		2011 RMB'000	2010 RMB'000
Income from long-term equity investments under cost method	(2)	198,962	105,858
Income from long-term equity investments under equity method	(3)	271,682	153,004
Gain on dilution of an associate	V.42(3)	527,502	—
Total		998,146	258,862

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***X. Notes to major items in the parent's financial statements (Continued)****6 Investment income (Continued)**

- (2) Investees from which long-term equity investment income under cost method accounting for the top five of the total profit of the Company and its subsidiaries are as follows:

Investee	Six months ended 30 June		Reason for movements for the year
	2011 RMB'000	2010 RMB'000	
Lingwu Company	120,370	70,159	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Ningdong Wind Power Company	50,871	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Laizhou Wind Power Company	15,108	7,649	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Material Company	12,613	—	Under cost method, investment income is recognised when dividend is declared by investee.
Banshan Company	—	28,050	Under cost method, investment income is recognised when dividend is declared by investee.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***X. Notes to major items in the parent's financial statements (Continued)****6 Investment income (Continued)**

- (3) Investees from which long-term equity investment income under equity method accounting for the top five of the total profit of the Company and its subsidiaries are as follows:

Investee	Six months ended 30 June		Reason for movements for the period
	2011 RMB'000	2010 RMB'000	
Fucheng Mining Company	71,193	40,555	Profit or loss from normal operations
Huadian Coal	70,665	36,258	Profit or loss from normal operations
Changcheng Mine Company	45,079	17,860	Profit or loss from normal operations
Ningxia Power Company	39,933	22,701	Profit or loss from normal operations
China Huadian Finance	39,714	17,645	Profit or loss from normal operations

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)*(Expressed in Renminbi'000)***X. Notes to major items in the parent's financial statements (Continued)****7 Supplement to cash flow statement**

Supplement	Six months ended 30 June	
	2011 RMB'000	2010 RMB'000
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	348,466	(33,743)
Add: Depreciation of fixed assets	427,906	430,374
Amortisation of intangible assets	6,410	7,531
Income on disposal of fixed assets	—	(567)
Financial expense	591,084	360,741
Direct cost for acquisition	400	3,740
Gains arising from investments	(998,146)	(258,862)
Increase in deferred tax liabilities	—	7,024
Increase in gross inventories	(227,497)	(53,682)
Decrease/(increase) in operating receivables	163,283	(461,822)
(Decrease)/increase in operating payables	(528,582)	468,996
	<u>(216,676)</u>	<u>469,730</u>
Net cash (outflow)/inflow from operating activities		
	<u>(216,676)</u>	<u>469,730</u>
2. Change in cash and cash equivalents:		
Cash at the end of the period	706,639	325,634
Less: Cash at the beginning of the period	156,819	193,186
	<u>549,820</u>	<u>132,448</u>
Net increase in cash and cash equivalents	<u>549,820</u>	<u>132,448</u>

SUPPLEMENTS**1 Details of extraordinary gains and losses at 30 June 2011**

Item	Amount <i>RMB'000</i>
Disposal of non-current assets	2,223
Government grants recognised through profit or loss (excluding those having close relationships with the Company's operation and enjoyed in fixed amount or quality according to uniform national standard) (<i>Note 1</i>)	93,862
Gain from step acquisition on the fair value remeasurement of previous owned equity	13,011
Gain on dilution of an associate	567,896
Other non-operating income and expenses besides items above	24,386
Amount of effect on taxation	(16,808)
Amount of effect on minority shareholders after taxation	(24,558)
Total	660,012

Note 1: Government grants from VAT refund upon collection of wind and stalk power generation in the Group's non operating income were not included in the above extraordinary gains and losses, please refer to Note V. 44(2).

Above extraordinary gain and loss items are listed by amount before taxation.

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SUPPLEMENTS (CONTINUED)**2 Difference in accounting data under domestic and overseas accounting standards**

Difference in net profit and shareholders' equity included in disclosed consolidated financial statements under IFRSs and CAS

	Note	Net profit		Shareholders' equity	
		30 June	30 June	30 June	31 December
		2011	2010	2011	2010
		RMB'000	RMB'000	RMB'000	RMB'000
Amount under CAS		94,154	49,123	22,297,197	21,587,198
Adjustments:					
Business combination involving entities under common control	(1)	(14,561)	(27,786)	723,646	738,207
Government grants	(2)	6,619	5,780	(311,184)	(317,803)
Taxation impact of the adjustments		3,365	6,676	(141,416)	(144,781)
Amount under IFRSs		89,577	33,793	22,568,243	21,862,821

SUPPLEMENTS (CONTINUED)**2 Difference in accounting data under domestic and overseas accounting standards (Continued)**

Notes:

- (1) According to the accounting policies adopted in the Group's financial statements prepared under IFRSs, assets and liabilities acquired by the Group during business combination, irrespective of whether such business combination is involving entities under common control or not, are measured at the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. In preparing the consolidated financial statements, the respective financial statements of subsidiaries are adjusted based on the fair value of individual identifiable assets and liabilities at the date of acquisition. The excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquired was recognised as goodwill.

In accordance with CAS, assets and liabilities acquired by the Group in business combination involving entities under common control are measured at their carrying value at the date of combination. Consolidated financial statements are prepared based on the financial statements of the Company and subsidiaries. The excess of carrying value of purchase consideration paid by the Company over its share of carrying value of identifiable net assets of the acquiree for business combination involving entities under common control reduces the share premium of capital reserve or retained profits.

In addition, according to CAS, in preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods in respect of business combination involving entities under common control. Accordingly, the capital reserve was adjusted for its increase in net assets due to business combination.

- (2) According to IFRSs, conditional government grants should be first recorded in long-term liabilities and amortised to profit or loss using the straight line method over the useful lives of the relevant assets after fulfilling the requirements from the government in respect of the construction projects.

According to CAS, government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

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SUPPLEMENTS (CONTINUED)**3 Return on net assets and earnings per share**

In accordance with “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9-Calculation and Disclosure of the Return on Net Assets and Earnings Per Share” (2010 revised) issued by the CSRC, the Group’s return on net assets and earnings per share are calculated as follows:

	30 June 2011	
	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets (%)	0.74	(3.38)
Consolidated net profit/(losses) attributable to the Company’s ordinary equity shareholders (RMB’000)	118,908	(541,104)
Weighted average net assets attributable to the Company’s ordinary equity shareholders (RMB’000)	15,986,087	15,986,087
Fully diluted return on net assets (%)	0.74	(3.37)
Consolidated net profit/(losses) attributable to the Company’s ordinary equity shareholders (RMB’000)	118,908	(541,104)
Weighted average net assets attributable to the Company’s ordinary equity shareholders (RMB’000)	16,045,541	16,045,541
Basic earnings/(losses) per share (RMB)	0.018	(0.080)
Consolidated net profit/(losses) attributable to the Company’s ordinary equity shareholders (RMB’000)	118,908	(541,104)
Weighted average number of ordinary shares (’000 shares)	6,771,084	6,771,084

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