The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the independent reporting accountants, KPMG, Certified Public Accountants, Hong Kong. As described in the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in Appendix XI to this prospectus, a copy of the following accountants' report is available for inspection.

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

May 30, 2011

The Directors
Huaneng Renewables Corporation Limited

Morgan Stanley Asia Limited
China International Capital Corporation Hong Kong Securities Limited
Goldman Sachs (Asia) L.L.C.
Macquarie Capital Securities Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Huaneng Renewables Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2008, 2009 and 2010 (the "Track Record Period"), and the consolidated balance sheets of the Group as at December 31, 2008, 2009 and 2010, together with the notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated May 30, 2011 (the "Prospectus").

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on August 5, 2010 as part of the reorganization (the "Reorganization") of Huaneng New Energy Industrial Co., Ltd. ("HNEIC"), a state-owned enterprise with limited liability, as described in Section A below. HNEIC was the holding company of the subsidiaries now comprising the Group prior to the Reorganization. Pursuant to the Reorganization, HNEIC was converted into a joint stock company, namely Huaneng Renewables Corporation Limited, i.e. the Company, the details of which are set out in Section A below. The registered office of the Company is located at 10-11th Floor, No. 23A Fuxing Road, Haidian District, Beijing, the PRC.

All companies now comprising the Group have adopted December 31 as their financial year end date. Details of the companies comprising the Group that are subject to audit during the Track Record Period are set out in Section A below. The statutory financial statements of HNEIC and its subsidiaries now comprising the Group were prepared in accordance with the relevant accounting rules and regulations applicable to entities established in the PRC and were audited by Beijing Broadtrust Certified Public Accountants Co., Ltd. (北京博坤會計師事務所), a certified public accounting firm registered in the PRC.

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below which are in accordance with International Financial Reporting Standards ("IFRSs") promulgated by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended December 31, 2008, 2009 and 2010 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with IFRSs promulgated by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate audit procedures as we considered necessary in accordance with the Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA.

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to December 31, 2010.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below and in accordance with the accounting policies set out in Section C below, gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period, and the state of affairs of the Group as at December 31, 2008, 2009 and 2010.

A BASIS OF PREPARATION

The Company was established in the PRC on August 5, 2010 as a joint stock company with limited liability and with a registered capital of RMB5,800 million as part of the Reorganization of HNEIC in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKSE"). The Company and its subsidiaries (the "Group") are mainly engaged in wind power generation and sale. Prior to the establishment of the Company, HNEIC was the holding company of the subsidiaries now comprising the Group, and was wholly owned by China Huaneng Group Corporation ("Huaneng Group"). In substance, the Company replaced HNEIC as the holding company of HNEIC's subsidiaries.

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

As there was no change in controlling shareholder before and after the Reorganization, the Financial Information has been prepared as a reorganization of business under common control. Accordingly, the relevant assets and liabilities of the companies comprising the Group have been recognized at historical cost. Hereinafter, the term "Company" also refers to HNEIC for the period prior to the Reorganization, unless otherwise indicated or as the context may otherwise require.

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in section B(1), B(3) and B(4), respectively include the results of operations of the companies comprising the Group for the Track Record Period (or where the companies were established at a date later than January 1, 2008, for the period from the date of establishment to December 31, 2010), as if the group structure has been in existence throughout the Track Record Period. The consolidated balance sheets as at December 31, 2008, 2009 and 2010 as set out in Section B(2) have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

As at December 31, 2010, the Company has direct interest in the following entities, all of which the Company has the power to govern, which are set out below:

	Name of the Company	Place and date of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
1	Huaneng Shantou Nan'ao Wind Power Company Limited 華能汕頭南澳風力發電有限公司 (note ii)	the PRC July 30, 1998	RMB 23,000,000	52%	Wind power generation
2	Huaneng Shantou Wind Power Company Limited 華能汕頭風力發電有限公司 (note ii)	the PRC December 28, 2005	RMB 194,190,000	50%	Wind power generation
3	HNEEP-CLP Changdao Wind Power Co., Ltd 華能中電長島風力發電有限公司 (note ii)	the PRC December 2, 2004	RMB 99,072,000	55%	Wind power generation
4	HNNE-CLP Weihai Wind Power Company Limited 華能中電威海風力發電有限公司 (note ii)	the PRC September 28, 2005	RMB 253,240,000	55%	Wind power generation
5	Huaneng Rongcheng Wind Power Company Limited 華能榮成風力發電有限公司	the PRC December 31, 2008	RMB 60,000,000	100%	Wind power generation
6	Huaneng Shouguang Wind Power Company Limited 華能壽光風力發電有限公司	the PRC October 21, 2008	RMB 186,730,000	55%	Wind power generation

	Name of the Company	Place and date of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
7	Huaneng Changyi Wind Power Company Limited 華能昌邑風力發電有限公司	the PRC November 20, 2008	RMB 110,000,000	100%	Wind power generation
8	Huaneng Weifang Binhai Wind Power Company Limited 華能濰坊濱海風力發電有限公司	the PRC November 18, 2009	RMB 90,000,000	100%	Wind power generation
9	Huaneng Lijin Wind Power Company Limited 華能利津風力發電有限公司	the PRC November 19, 2009	RMB 30,000,000	100%	Wind power generation
10	Huaneng Dongying Hekou Wind Power Company Limited 華能東營河口風力發電有限公司	the PRC November 27, 2009	RMB 250,000,000	100%	Wind power generation
11	Huaneng Laoting Wind Power Company Limited 華能樂亭風力發電有限公司 (note ii)	the PRC June 13, 2008	RMB 185,280,000	55%	Wind power generation
12	Huaneng Chengde Wind Power Company Limited 華能承德風力發電有限公司	the PRC May 13, 2009	RMB 80,000,000	100%	Wind power generation
13	Huaneng Hong Kong Electric Dali Wind Power Company Limited 華能港燈大理風力發電有限公司 (note ii)	the PRC December 25, 2007	RMB 150,690,000	55%	Wind power generation
14	Huaneng Eryuan Wind Power Company Limited 華能洱源風力發電有限公司	the PRC July 24, 2009	RMB 120,000,000	100%	Wind power generation
15	Huaneng Fuxin Wind Power Company Limited 華能阜新風力發電有限責任公司	the PRC October 27, 2006	RMB 450,000,000	100%	Wind power generation
16	Huaneng Panjin Wind Power Company Limited 華能盤錦風力發電有限公司	the PRC September 17, 2009	RMB 541,080,000	75%	Wind power generation
17	Huaneng Jinzhou Wind Power Company Limited 華能錦州風力發電有限公司	the PRC December 4, 2009	RMB 10,000,000	100%	Wind power generation
18	Huaneng Tongliao Wind Power Company Limited 華能通遼風力發電有限公司	the PRC December 10, 2007	RMB 1,140,864,000	100%	Wind power generation
19	Huaneng Hulunbuir Wind Power Company Limited 華能呼倫貝爾風力發電有限公司 (note ii)	the PRC December 18, 2008	RMB 100,000,000	51%	Wind power generation
20	Huaneng Baotou Wind Power Company Limited 華能包頭風力發電有限公司	the PRC June 26, 2008	RMB 132,940,700	100%	Wind power generation
21	Huaneng Huhhot Wind Power Company Limited 華能呼和浩特風力發電有限公司	the PRC December 19, 2008	RMB 228,241,300	100%	Wind power generation

	Name of the Company	Place and date of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
22	Huaneng Keyouzhongqi Wind Power Co., Ltd 華能科右中旗風力發電有限公司	the PRC December 17, 2008	RMB 230,000,000	100%	Wind power generation
23	Huaneng Tongyu Xinhua Wind Power Company Limited 華能通榆新華風力發電有限公司	the PRC November 17, 2009	RMB 40,000,000	100%	Wind power generation
24	Huaneng Xinjiang Santanghu Wind Power Company Limited 華能新疆三塘湖風力發電有限責任公司	the PRC May 27, 2009	RMB 130,000,000	100%	Wind power generation
25	Huaneng Ningwu Wind Power Company Limited 華能寧武風力發電有限公司	the PRC August 6, 2009	RMB 80,000,000	100%	Wind power generation
26	Huaneng New Energy Shanghai Power Company Limited 華能新能源上海發電有限公司	the PRC September 27, 2009	RMB 44,000,000	100%	Wind power generation
27	Huaneng Tieling Wind Power Company Limited 華能鐵嶺風力發電有限公司	the PRC December 21, 2009	RMB 155,500,000	75%	Wind power generation
28	Huaneng Yuanping Wind Power Company Limited 華能原平風力發電有限公司	the PRC April 9, 2010	RMB 20,000,000	100%	Wind power generation
29	Huaneng Tianzhen Wind Power Company Limited 華能天鎮風力發電有限公司	the PRC April 12, 2010	RMB 20,000,000	100%	Wind power generation
30	Huaneng Pianguan Wind Power Company Limited 華能偏關風力發電有限公司	the PRC May 14, 2010	RMB 20,000,000	100%	Wind power generation
31	Huaneng Hezhang Wind Power Company Limited 華能赫章風力發電有限公司	the PRC April 29, 2010	RMB 60,000,000	100%	Wind power generation
32	Huaneng Tieling Daxing Wind Power Company Limited 華能鐵嶺大興風力發電有限公司	the PRC June 28, 2010	RMB 163,960,000	75%	Wind power generation
33	Huaneng Baicheng Wind Power Company Limited 華能白城風力發電有限公司	the PRC August 11, 2010	RMB 40,000,000	100%	Wind power generation
34	Huaneng Yantai Wind Power Company Limited 華能煙臺風力發電有限公司	the PRC August 20, 2010	RMB 20,000,000	100%	Wind power generation
35	Huaneng Dali Wind Power Company Limited 華能大理風力發電有限公司	the PRC August 2, 2010	RMB 20,000,000	100%	Wind power generation
36	Huaneng Weifang Wind Power Company Limited 華能濰坊風力發電有限公司	the PRC August 18, 2010	RMB 120,000,000	100%	Wind power generation
37	Huaneng Gaizhou Wind Power Company Limited 華能蓋州風力發電有限公司	the PRC July 1, 2010	RMB 20,000,000	100%	Wind power generation

	Name of the Company	Place and date of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
38	Huaneng Raoping Wind Power Company Limited 華能饒平風力發電有限公司	the PRC December 6, 2010	RMB 20,000,000	100%	Wind power generation
39	Huaneng Tieling Kaiyuan Wind Power Company Limited 華能鐵嶺開原風力發電有限公司	the PRC December 21, 2010	RMB 159,400,000	75%	Wind power generation

Notes:

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

(ii) The Company directly owns half or more than half of equity interests in these companies but the voting power attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. The Company is the biggest equity owner of these companies and no other equity owners individually or in aggregate had the power to control these companies according to the articles of association. Historically, the Company controlled the operation of these entities by appointing senior management, approving annual budget and determining the remuneration of employees etc. During the Track Record Period, the Company had signed the concert party agreements with certain equity owners of these companies, whereby such equity owners have agreed to vote the same as the Company. Such equity owners have also confirmed that the voting in unison with the Company existed since the establishment of these entities. The PRC lawyer of the Company confirmed that the concert party agreements are valid under relevant PRC laws. Considering above mentioned factors, the directors are of the opinion that the Company controlled these entities during the Track Record Period. Therefore the financial statements of these companies are consolidated by the Company during the Track Record Period (or where the companies were established at a date later than January 1, 2008, for the period from the date of establishment to December 31, 2010).

B FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section C Note	Years ended December 31, 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Continuing operations				
Revenue	2	570,341	918,452	1,768,526
Other net income	3	35,613	85,317	249,832
Operating expenses				
Service concession construction costs		(318,063)	(66,634)	—
Depreciation and amortization		(80,834)	(296,787)	(633,698)
Personnel costs		(25,685)	(45,168)	(79,238)
Repairs and maintenance		(3,756)	(15,159)	(27,724)
Administration expenses		(11,247)	(20,014)	(96,037)
Other operating expenses		(8,038)	(20,463)	(47,320)
		(447,623)	(464,225)	(884,017)
Operating profit		158,331	539,544	1,134,341
Finance income		9,179	12,204	22,227
Finance expenses		(72,212)	(251,420)	(515,170)
Net finance expenses	4	(63,033)	(239,216)	(492,943)
Share of profit of a jointly controlled entity		99	3,129	—
Profit before taxation	5	95,397	303,457	641,398
Income tax	6	549	(22,208)	(31,982)
Profit from continuing operations		95,946	281,249	609,416
Discontinued operation				
Profit from discontinued operation (net of income tax)	10	11,089	39,398	—
Profit for the year		107,035	320,647	609,416
Other comprehensive income for the year, net of tax		—	—	—
Total comprehensive income for the year		107,035	320,647	609,416
Profit attributable to:				
Equity owner/shareholders of the Company		53,188	264,433	528,275
Non-controlling interests		53,847	56,214	81,141
Profit for the year		107,035	320,647	609,416
Total comprehensive income attributable to:				
Equity owner/shareholders of the Company		53,188	264,433	528,275
Non-controlling interests		53,847	56,214	81,141
Total comprehensive income for the year		107,035	320,647	609,416
Basic and diluted earnings per share (RMB cents)	9	0.91	4.56	9.11
— Continuing operations		0.80	3.88	9.11
— Discontinued operation		0.11	0.68	—

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED BALANCE SHEETS

	Section C Note	At December 31, 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Non-current assets				
Property, plant and equipment	11	8,544,098	14,335,881	27,802,930
Lease prepayments	12	14,683	22,667	65,056
Intangible assets	13	358,346	411,566	394,817
Investment in a jointly controlled entity	14	52,403	—	—
Other non-current assets	15	21,225	1,164,538	2,690,141
Deferred tax assets	23(b)	21,336	16,325	12,709
Total non-current assets		9,012,091	15,950,977	30,965,653
Current assets				
Inventories		1,809	140	692
Trade debtors and bills receivable	16	116,844	390,864	959,723
Prepayments and other current assets	17	120,887	596,741	207,711
Tax recoverable	23(a)	34	6,887	539
Restricted deposits	18	28,721	15,839	842
Cash at bank and on hand	19	1,643,773	819,226	1,309,466
Total current assets		1,912,068	1,829,697	2,478,973
Current liabilities				
Borrowings	20	2,396,240	2,798,513	4,817,600
Obligations under finance leases	21	—	119,156	232,215
Other payables	22	1,573,506	2,081,583	6,255,181
Tax payable	23(a)	4,478	12,659	6,277
Total current liabilities		3,974,224	5,011,911	11,311,273
Net current liabilities		(2,062,156)	(3,182,214)	(8,832,300)
Total assets less current liabilities		6,949,935	12,768,763	22,133,353
Non-current liabilities				
Borrowings	20	4,436,556	8,087,179	13,201,335
Obligations under finance leases	21	—	805,766	1,768,411
Retention payables		48,738	324,396	761,768
Deferred income	24	176,062	234,062	248,746
Deferred tax liabilities	23(b)	8,891	20,848	34,274
Total non-current liabilities		4,670,247	9,472,251	16,014,534
NET ASSETS		2,279,688	3,296,512	6,118,819
CAPITAL AND RESERVES	25			
Paid-in capital/share capital		451,500	451,500	5,800,000
Reserves		1,222,815	2,131,715	(516,114)
Total equity attributable to the equity owner/ shareholders of the Company		1,674,315	2,583,215	5,283,886
Non-controlling interests		605,373	713,297	834,933
TOTAL EQUITY		2,279,688	3,296,512	6,118,819

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity owner/shareholders of the Company							
	Share capital	Paid-in capital	Capital reserve	Reserve fund	(Accumulated loss)/ Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2008	—	451,500	407,263	12,547	(30,183)	841,127	337,999	1,179,126
Changes in equity:								
Capital contributions	—	—	780,000	—	—	780,000	223,085	1,003,085
Dividends by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	(9,558)	(9,558)
Total comprehensive income for the year	—	—	—	—	53,188	53,188	53,847	107,035
At December 31, 2008	—	451,500	1,187,263	12,547	23,005	1,674,315	605,373	2,279,688
At January 1, 2009	—	451,500	1,187,263	12,547	23,005	1,674,315	605,373	2,279,688
Changes in equity:								
Capital contributions	—	—	700,000	—	—	700,000	206,887	906,887
Distribution to Huaneng Group (Section C note 14)	—	—	(55,533)	—	—	(55,533)	—	(55,533)
Disposal of discontinued operation (Section C note 10(c))	—	—	—	—	—	—	(62,588)	(62,588)
Disposal of a subsidiary (Section C note 30(a))	—	—	—	—	—	—	(73,301)	(73,301)
Transfer to reserve fund	—	—	—	361	(361)	—	—	—
Dividends by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	(19,288)	(19,288)
Total comprehensive income for the year	—	—	—	—	264,433	264,433	56,214	320,647
At December 31, 2009	—	451,500	1,831,730	12,908	287,077	2,583,215	713,297	3,296,512
At January 1, 2010	—	451,500	1,831,730	12,908	287,077	2,583,215	713,297	3,296,512
Changes in equity:								
Capitalization upon establishment of the Company (Section C note 33)	3,627,604	(451,500)	(3,159,946)	(12,908)	(3,250)	—	—	—
Capital contributions (Section C note 33)	2,172,396	—	—	—	—	2,172,396	86,465	2,258,861
Transfer to reserve fund	—	—	—	2,830	(2,830)	—	—	—
Dividends by subsidiaries to non-controlling equity owners	—	—	—	—	—	—	(45,970)	(45,970)
Total comprehensive income for the year	—	—	—	—	528,275	528,275	81,141	609,416
At December 31, 2010	5,800,000	—	(1,328,216)	2,830	809,272	5,283,886	834,933	6,118,819

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED CASH FLOW STATEMENTS

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit for the year	107,035	320,647	609,416
Adjustments for:			
Depreciation	101,257	282,571	614,293
Amortization	650	14,216	19,405
Amortization of deferred income	(2,132)	(9,207)	(11,299)
Loss on disposal of property, plant and equipment	7	—	16
Impairment loss on other financial assets	357	—	—
Gain on disposal of discontinued operation	—	(56,119)	—
Gain on disposal of a subsidiary	—	(18,869)	—
Interest expenses on financial liabilities	95,072	251,088	514,007
Foreign exchange differences, net	(2,006)	(22)	(719)
Interest income on financial assets	(4,797)	(7,710)	(13,274)
Dividend income	(2,396)	(4,472)	(3,550)
Share of profit of a jointly controlled entity	(99)	(3,129)	—
Income tax	997	38,929	31,982
Changes in working capital:			
Decrease/(increase) in inventories	202	(140)	(552)
Increase in trade debtors and bills receivable	(86,581)	(219,171)	(585,447)
Increase in prepayments and other current assets	(18,437)	(6,126)	(176,129)
Increase in other payables	9,068	111,360	276,830
Cash generated from operations	198,197	693,846	1,274,979
Income tax paid	(1,382)	(19,569)	(14,974)
Net cash from operating activities	196,815	674,277	1,260,005

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED CASH FLOW STATEMENTS (CONTINUED)

	Section C Note	Years ended December 31, 2008	2009	2010
		RMB'000	RMB'000	RMB'000
Cash flows from investing activities				
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets		(4,988,025)	(7,164,054)	(10,418,464)
Payments for acquisition of financial assets		(3,008)	(357,044)	(32,650)
Government grant received		76,856	120,663	39,571
Proceeds from disposal of property, plant and equipment		283	6	1,345
Proceeds from disposal of discontinued operation, net of cash disposed of (Section C note 10(c))		—	137,547	—
Proceeds from disposal of a subsidiary, net of cash disposed of (Section C note 30(a))		—	71,263	—
Proceeds from repayments of advances		—	—	563,499
Dividends received		4,183	4,472	3,550
Interest received		4,797	7,710	13,274
Time deposits		—	(30,000)	18,305
Others		21,786	53,148	92,063
Net cash used in investing activities		(4,883,128)	(7,156,289)	(9,719,507)
Cash flows from financing activities				
Capital contributions from the equity owner/ shareholders of the Company		780,000	700,000	2,172,396
Capital contributions from the non-controlling equity owners		223,085	206,887	86,465
Proceeds from borrowings		5,914,180	8,187,412	11,805,206
Repayment of borrowings		(961,060)	(3,572,521)	(4,671,107)
Dividends paid by subsidiaries to non-controlling equity owners		(8,958)	(14,538)	(51,320)
Interest paid		(212,510)	(484,328)	(704,689)
Payment of finance lease obligations		—	(53,753)	(209,766)
Proceeds from sales and leaseback transaction classified as finance lease		—	658,279	541,000
Net cash from financing activities		5,734,737	5,627,438	8,968,185
Net increase/(decrease) in cash and cash equivalents		1,048,424	(854,574)	508,683
Cash and cash equivalents at beginning of year		595,526	1,643,773	789,226
Effect of foreign exchange rate changes		(177)	27	(138)
Cash and cash equivalents at end of year	19	1,643,773	789,226	1,297,771

Note:

(i) For major non-cash transactions, please refer to note 30(b) in Section C.

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Financial Reporting Standards, International Accounting Standards and related interpretations promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period ended December 31, 2010. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period ended December 31, 2010 are set out in note 34.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules.

The accounting policies set out below have been applied consistently to all periods presented in the Financial Information.

(b) Basis of measurement

The Financial Information is presented in Renminbi ("RMB"), rounded to the nearest thousand, which is the Group's presentation currency and the functional currency of the Company and its subsidiaries.

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

Non-current assets held for sale (or disposal groups held for sale) are stated at the lower of carrying amount and fair value less costs to sell (see note 1(w)(i)).

(c) Going concern

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at December 31, 2008, 2009 and 2010. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the period ending June 30, 2012, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements for a reasonable period of time (see note 26(b)).

(d) Use of estimates and judgments

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

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

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 31.

(e) Subsidiaries and non-controlling interests

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

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

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the owners of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity owner/ shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity owner/ shareholders of the Company.

Loans from owners of non-controlling interests and other contractual obligations towards these owners are presented as financial liabilities in accordance with notes 1(n) or (o) depending on the nature of the liability.

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

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

(f) Jointly controlled entities

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

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 1(w)(i)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in profit or loss whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

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

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

When the Group ceases to have joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

(g) Other investments in unquoted equity securities

The Group's policies for investments in unquoted equity securities, other than investments in subsidiaries and jointly controlled entity, are as follows:

Investments in unquoted equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for in the balance sheet at cost less impairment losses (see note 1(k)).

Investments are recognized/derecognized on the date the Group commits to purchase/sell the investments or they expire.

(h) Property, plant and equipment

Property, plant and equipment are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(k)).

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 1(v)).

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

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

— Buildings and structures	8-55 years
— Wind turbines	20 years
— Other machinery and equipment	12-20 years
— Motor vehicles	6-14 years
— Furniture, fixtures and others	4-10 years

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

(i) Intangible assets

The Group recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets received as consideration for providing construction services in a service concession arrangement are measured at fair value upon initial recognition. Subsequent to initial recognition the intangible asset is measured at cost less accumulated amortization and impairment losses (see note 1(k)).

Other intangible assets that are acquired by the Group are stated in the balance sheet at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see note 1(k)). Expenditure on internally generated goodwill and brands is recognized as an expense in the period in which it is incurred.

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

— Concession assets	25 years
— Software and others	3-5 years

Both the period and method of amortization are reviewed annually.

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortized on a straight-line basis over the period of the lease term.

(k) Impairment of assets

(i) Impairment of investments in unquoted equity securities and other receivables

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

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganization;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

— For investment in subsidiaries and jointly controlled entities (including those recognized using the equity method (see note 1(f))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 1(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(k)(ii).

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— pre-paid interests in leasehold land classified as being held under an operating lease; and

— intangible assets.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

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

— Recognition of impairment losses

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

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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

(l) Inventories

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

Cost is calculated using the weighted average cost formula and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

(m) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost less allowance for impairment of doubtful debts (see note 1(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

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

(o) Trade and other payables

Trade and other payables are initially recognized at fair value. Except for financial guarantee liabilities measured in accordance with note 1(s)(i), trade and other payables are subsequently stated at amortized cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

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

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

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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for the statutory defined contribution pension plans are recognized as an expense in profit or loss when they are due.

(r) Income tax

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

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

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

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

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

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

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

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

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income tax levied by the same taxation authority on either:

    — the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realize the current tax assets and settle the current tax liabilities on a net basis or realize and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognized as deferred income is amortized in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognized in accordance with note 1(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognized, less accumulated amortization.

(ii) Provisions and contingent liabilities

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

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

(t) Revenue recognition

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

(i) Sale of electricity

Electricity revenue is recognized when electricity is supplied to the provincial grid companies. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Service concession construction revenue

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

(iii) Rendering of services

Revenue from the rendering of services is recognized in the statement of comprehensive income by reference to the stage of completion of the transaction based on the progress of work performed.

(iv) Dividends

Dividend income from unlisted investments is recognized when the shareholder's right to receive payment is established.

(v) Interest income

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

(vi) Government grants

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

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

— the counterparties have committed to purchase the CERs;

— the sales prices have been agreed; and

— relevant electricity has been generated.

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

(u) Translation of foreign currencies

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

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(v) Borrowing costs

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

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

(w) Non-current assets held for sale and discontinued operations

(i) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognized at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 1.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognized in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortized.

(ii) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale (see (i) above), if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of comprehensive income, which comprises:

— the post-tax profit or loss of the discontinued operation; and

— the post-tax gain or loss recognized on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal groups constituting the discontinued operation.

(x) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

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

(y) Segment reporting

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

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

2 REVENUE

The amount of each significant category of revenue recognized during the Track Record Period is as follows:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Continuing operations			
Sales of electricity	248,130	847,068	1,758,556
Service concession construction revenue (note (i))	318,063	66,634	—
Others	4,148	4,750	9,970
Revenue from continuing operation	570,341	918,452	1,768,526
Discontinued operation			
Sales of electricity (note 10)	72,647	—	—
	642,988	918,452	1,768,526

Note:

(i) During the Track Record Period, the Group entered into a service concession agreement with local government (the "Grantor") to construct and operate wind power plant during the concession period of 25 years. The Group is responsible for construction and maintenance of the wind power plant during the concession period. At the end of the concession period, the Group needs to dismantle the wind power plant or negotiate with the Grantor for a renewal of the service concession agreement. Service concession construction revenue recorded during the Track Record Period represents the revenue recognized during the construction stage of the service concession period.

The Group has recognized intangible assets related to the service concession arrangement (see note 13) representing the right the Group receives to charge a fee for sales of electricity. The Group has not recognized service concession receivables as the Grantor will not provide the Group any guaranteed minimum payment for the operating period of the wind power plant.

3 OTHER NET INCOME

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Government grants			
— CERs income	16,249	28,749	164,821
— VAT rebate (note (i))	17,193	28,479	33,398
— VAT refund (note (ii))	2,132	8,462	9,098
— Others	—	299	40,947
Net gain on disposal of investment in a subsidiary (note 30(a))	—	18,869	—
Net loss on disposal of property, plant and equipment	(7)	—	(16)
Others	46	459	1,584
	35,613	85,317	249,832

Notes:

(i) VAT rebate represents the tax rebate equivalent to 50% of the VAT payable entitled by wind power projects pursuant to Caishui [2008] No. 156 Notice on VAT Policy Regarding Comprehensive Utilization of Resources and Other Products (關於資源綜合利用及其它產品增值稅政策的通知) jointly issued by Ministry of Finance and State Administration of Taxation ("SAT").

(ii) VAT refund represents the refund of 17% input VAT in respect of purchased domestically-manufactured equipment entitled to foreign investment enterprises as approved by the National Development and Reform Commission and local tax bureau pursuant to Guoshuifa [1999] No. 171 Administration of VAT Refund on the Purchase of Domestically-Manufactured Equipment by Foreign Investment Enterprises (外商投資企業採購國產設備退稅管理試行辦法) issued by SAT.

4 FINANCE INCOME AND EXPENSES

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Interest income on financial assets	4,725	7,710	13,274
Foreign exchange gains	2,058	22	5,403
Dividend income from other investments	2,396	4,472	3,550
Finance income	9,179	12,204	22,227
Interest on bank and other borrowings wholly repayable within five years	54,468	120,596	188,870
Interest on other loans	138,264	368,128	605,477
Less: interest expenses capitalized into property, plant and equipment and intangible assets	121,287	237,636	280,340
	71,445	251,088	514,007
Foreign exchange losses	52	—	740
Impairment losses on trade and other receivables	357	—	—
Bank charges and others	358	332	423
Finance expenses	72,212	251,420	515,170
Net finance expenses recognized in profit or loss	(63,033)	(239,216)	(492,943)

The borrowing costs have been capitalized at rates of 5.02% to 7.06%, 4.86% to 7.05% and 4.77% to 5.45% per annum for the years ended December 31, 2008, 2009 and 2010 respectively.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	24,045	41,588	74,143
Contributions to defined contribution retirement plan	1,640	3,580	5,095
	25,685	45,168	79,238

(b) Other items

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Amortization			
— lease prepayments	214	380	1,715
— intangible assets	54	13,836	17,690
Depreciation			
— property, plant and equipment	80,566	282,571	614,293
Auditors' remuneration			
— audit services	304	579	740
— other services	18	42	—
Operating lease charges			
— hire of properties	2,245	2,596	5,431
Cost of inventories	1,259	11,870	26,362

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current tax			
Provision for the year	5,845	5,240	14,940
Deferred tax (note 23(b))			
Origination and reversal of temporary differences	(4,848)	16,968	17,042
Income tax excluding tax on disposal of discontinued operation	997	22,208	31,982

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Income tax from continuing operations	(549)	22,208	31,982
Income tax from discontinued operation (excluding gain on disposal) (note 10)	1,546	—	—
	997	22,208	31,982
Income tax on gain on disposal of discontinued operation (note 10)	—	16,721	—
Total income tax	997	38,929	31,982

Notes:

(i) Provision for income tax represents the PRC income tax.

(ii) Prior to January 1, 2008, the PRC entities were, in general, subject to the statutory income tax rate of 33%, consisting of 30% state tax and 3% local tax, on their assessable profits.

Certain subsidiaries of the Group, being enterprises engaged in state encouraged industries located in the Western Regions; being production-type foreign investment enterprises ("FIEs") that were engaged in energy projects, were taxed at a preferential income tax rate of 15%. Certain subsidiaries of the Group, being an enterprise located in the designated Coastal Open Area, were taxed at a preferential income tax rate of 24%.

Certain subsidiaries of the Group, being production-type FIEs with an operating period of 10 years or more were entitled to a tax holiday of a 2-year full exemption followed by a 3-year 50% exemption commencing from their respective first profit-making year after offsetting accumulated tax losses, if any ("2+3 tax holiday").

On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which took effect on January 1, 2008. As a result of the New Tax Law, the statutory income tax rate in the PRC was reduced from 33% to 25%. The Implementation Rules of the New Tax Law ("Implementation Rules") (中華人民共和國企業所得稅法實施條例) and GuoFa [2007] No. 39 Notice on the Implementation of the Transitional Preferential Tax Policies ("Circular 39") (國務院關於實施企業所得稅過渡優惠政策的通知) were promulgated by the State Council on December 6, 2007 and December 26, 2007, respectively. Pursuant to Circular 39, certain subsidiaries of the Group are entitled to apply the transitional rates of 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Further, Circular 39 grandfathers the 2+3 tax holidays. Accordingly, certain subsidiaries of the Group can continue to enjoy the 2+3 tax holidays until they expire.

In addition, pursuant to CaiShui [2008] No. 46 Notice on the Execution of the Catalogue of Public Infrastructure Projects Entitled for Preferential Tax Treatment ("Circular 46") (財政部、國家稅務總局關於執行公共基礎設施項目企業所得稅優惠目錄有關問題的通知), certain subsidiaries of the Group, which are set up after January 1, 2008 and are engaged in public infrastructure projects, are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective years in which their first operating income was derived.

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

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Profit for the year	107,035	320,647	609,416
Total income tax (note 6(a))	997	38,929	31,982
Profit before taxation	108,032	359,576	641,398
Applicable tax rate	25%	25%	25%
Notional tax on profit before taxation	27,008	89,894	160,350
Tax effect of non-deductible expenses	1,675	5,215	973
Tax effect of share of profits of a jointly controlled entity	(25)	(782)	—
Tax effect of non-taxable income	(599)	(1,118)	(887)
Effect of differential tax rate of certain subsidiaries of the Group	(22,594)	(55,386)	(155,622)
Tax effect of unused tax losses not recognized	4,016	—	29,826
Tax credits for purchase of domestic equipment	(9,860)	—	(4,970)
Others	1,376	1,106	2,312
Income tax	997	38,929	31,982

7 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

For the year ended December 31, 2008

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Cao Peixi (Chairman)	—	—	—	—	—
Mr. Huang Long	—	—	—	—	—
Mr. Zhao Keyu	—	—	—	—	—
Mr. Zhao Shiming	—	291	190	90	571
Mr. Niu Dongchun	—	291	90	56	437
Ms. Yang Qing	—	211	120	62	393
Mr. He Yan	—	212	111	61	384
Independent non-executive directors					
Mr. Qin Haiyan	—	—	—	—	—
Ms. Dai Huizhu	—	—	—	—	—
Mr. Zhou Shaopeng	—	—	—	—	—
Mr. Wan Kam To	—	—	—	—	—
Supervisors					
Mr. Xu Ping	—	—	—	—	—
Mr. Wang Huanliang	—	—	—	—	—
Mr. Liang Zongxin	—	—	—	—	—
	—	1,005	511	269	1,785

For the year ended December 31, 2009

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Cao Peixi (Chairman)	—	—	—	—	—
Mr. Huang Long	—	—	—	—	—
Mr. Zhao Keyu	—	—	—	—	—
Mr. Zhao Shiming	—	427	180	59	666
Mr. Niu Dongchun	—	427	180	52	659
Ms. Yang Qing	—	373	83	48	504
Mr. He Yan	—	373	77	47	497
Independent non-executive directors					
Mr. Qin Haiyan	—	—	—	—	—
Ms. Dai Huizhu	—	—	—	—	—
Mr. Zhou Shaopeng	—	—	—	—	—
Mr. Wan Kam To	—	—	—	—	—
Supervisors					
Mr. Xu Ping	—	—	—	—	—
Mr. Wang Huanliang	—	—	—	—	—
Mr. Liang Zongxin	—	367	145	54	566
	—	1,967	665	260	2,892

For the year ended December 31, 2010

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors					
Mr. Cao Peixi (Chairman)	—	—	—	—	—
Mr. Huang Long	—	—	—	—	—
Mr. Zhao Keyu	—	—	—	—	—
Mr. Zhao Shiming	—	564	162	57	783
Mr. Niu Dongchun	—	564	162	57	783
Ms. Yang Qing	—	484	137	50	671
Mr. He Yan	—	484	137	49	670
Independent non-executive directors					
Mr. Qin Haiyan	58	—	—	—	58
Ms. Dai Huizhu	58	—	—	—	58
Mr. Zhou Shaopeng	58	—	—	—	58
Mr. Wan Kam To	58	—	—	—	58

	Directors' and Supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Supervisors					
Mr. Xu Ping	—	—	—	—	—
Mr. Wang Huanliang	—	—	—	—	—
Mr. Liang Zongxin	—	484	137	53	674
	232	2,580	735	266	3,813

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period. No remuneration was paid to independent non-executive directors during the Track Record Period as the independent non-executive directors were appointed subsequent to the Track Record Period.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2008, 2009 and 2010 are set forth below:

	Years ended December 31,		
	2008	2009	2010
Directors	2	5	5
Non-directors	3	—	—
	5	5	5

The emoluments of the directors are disclosed in note 7. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	683	—	—
Discretionary bonuses	399	—	—
Retirement scheme contributions	211	—	—
	1,293	—	—

The emoluments of the individuals with the highest emoluments are within the following bands:

	Years ended December 31,		
	2008	2009	2010
Nil to HKD 500,000	2	—	—
HKD 500,001 to HKD 1,000,000	1	—	—

During the Track Record Period, no emoluments were paid by the Group to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity owner/shareholders of the Company of RMB53,188,000, RMB264,433,000 and RMB528,275,000 during the Track Record Period and the 5,800 million ordinary shares in issue as at the date of the Prospectus as if the share were outstanding throughout the entire Track Record Period.

The Company did not have any potential dilutive shares throughout the entire Track Record Period. Accordingly, diluted earnings per share is the same as basic earnings per share.

Profit attributable to equity owner/shareholders of the Company is as below:

	Years ended December 31,		
	2008	**2009**	**2010**
	RMB'000	**RMB'000**	**RMB'000**
Continuing operations	46,535	225,035	528,275
Discontinued operation (note 10(c))	6,653	39,398	—
Total	53,188	264,433	528,275

10 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organized by types of business. Consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments.

— Wind power: this segment constructs, manages and operates wind power plants and generates electric power for sale to power grid companies.

— Hydro power: this segment constructs, manages and operates hydro power plant and generates electric power for sale to power grid company. Huaneng Dali Hydro Power Co., Ltd. ("Dali Hydro Power", "華能大理水電有限責任公司") was the only subsidiary included in the segment during the Track Record Period. Following the strategic decision of the Company, in January 2009, the Company sold its 60% equity interests in Dali Hydro Power, to a fellow subsidiary controlled by Huaneng Group. The consideration received by the Company was RMB150,000,000, which was determined with reference to an independent valuation report issued by Beijing Pan-China Assets Appraisal Co., Ltd., an independent appraiser in the PRC. The transaction was approved by State-owned Assets Supervision and Administration Commission of the State Council ("SASAC") in January 2009. The transaction was consummated upon obtaining the approval from SASAC. Accordingly, the segment has been presented and accounted for as a discontinued operation in January 2009. The comparative statements of comprehensive income have been presented to show the discontinued operation separately from continuing operations (see note 10(c) for more details). From then on, all the subsidiaries comprising the Group are engaged in wind power generation and sale.

(a) Segment results, assets and liabilities

Before the discontinuance of hydro power operations, for the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible, intangible assets and current assets with the exception of investment in jointly controlled entity, investments in financial assets, deferred tax assets and other corporate assets. Segment liabilities include trade and other payables and bank borrowings managed directly by the segments. Segment liabilities do not include deferred tax liabilities and other corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortization of assets attributable to those segments. Segment revenue and expenses do not include share of profits of jointly controlled entity, net finance expenses, service concession construction revenue and cost and unallocated corporate expenses.

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2008 and 2009 is set out below.

For the year ended December 31, 2008

	Wind power	Hydro power (Discontinued)	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers			
— Sales of electricity	248,061	72,647	320,708
Inter-segment revenue	—	—	—
Reportable segment revenue	248,061	72,647	320,708
Reportable segment profit (operating profit)	181,768	36,351	218,119
Depreciation and amortization	(79,787)	(21,073)	(100,860)
Impairment of other receivables	(357)	—	(357)
Interest income	926	72	998
Interest expenses	(71,296)	(23,628)	(94,924)
Reportable segment assets	10,065,112	466,008	10,531,120
Expenditures for reportable segment non-current assets during the year	6,521,671	2,254	6,523,925
Reportable segment liabilities	8,008,211	309,539	8,317,750

For the year ended December 31, 2009

	Wind power	Hydro power (Discontinued)	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers			
— Sales of electricity	846,997	—	846,997
Inter-segment revenue	—	—	—
Reportable segment revenue	846,997	—	846,997
Reportable segment profit (operating profit)	551,736	—	551,736
Depreciation and amortization	(295,625)	—	(295,625)
Interest income	3,852	—	3,852
Interest expenses	(251,088)	—	(251,088)
Reportable segment assets	16,753,162	—	16,753,162
Expenditures for reportable segment non-current assets during the year	7,469,144	—	7,469,144
Reportable segment liabilities	13,141,507	—	13,141,507

For the year ended December 31, 2010

Since the equity interests in Dali Hydro Power were disposed of in January 2009, the Group has one reportable segment which is wind power generation and sale.

	Wind power	Hydro power (Discontinued)	Total
	RMB'000	RMB'000	RMB'000
Revenue from external customers			
— Sales of electricity	1,758,511	—	1,758,511
Inter-segment revenue	—	—	—
Reportable segment revenue	1,758,511	—	1,758,511
Reportable segment profit (operating profit)	1,218,906	—	1,218,906
Depreciation and amortization	(632,357)	—	(632,357)
Interest income	8,870	—	8,870
Interest expenses	(514,007)	—	(514,007)
Reportable segment assets	32,839,773	—	32,839,773
Expenditures for reportable segment non-current assets during the year	14,132,037	—	14,132,037
Reportable segment liabilities	25,861,491	—	25,861,491

(b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	Years ended December 31		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Revenue			
Reportable segment revenue	320,708	846,997	1,758,511
Service concession construction revenue	318,063	66,634	—
Sale of electricity from solar power trial business	69	71	45
Other revenue	4,148	4,750	9,970
Elimination of discontinued operation	(72,647)	—	—
Consolidated revenue	570,341	918,452	1,768,526
Profit			
Reportable segment profit	218,119	551,736	1,218,906
Adjustments on reportable segment profit	(1,392)	(4,354)	(11,130)
Elimination of discontinued operation	(36,351)	—	—
	180,376	547,382	1,207,776
Share of profits of a jointly controlled entity	99	3,129	—
Net finance expenses	(63,033)	(239,216)	(492,943)
Net gain on disposal of investment in a subsidiary	—	18,869	—
Unallocated head office and corporate expenses	(22,045)	(26,707)	(73,435)
Consolidated profit before taxation	95,397	303,457	641,398

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Assets			
Reportable segment assets	10,531,120	16,753,162	32,839,773
Adjustments on reportable segment assets	34	6,887	539
	10,531,154	16,760,049	32,840,312
Investment in a jointly controlled entity	52,403	—	—
Other financial assets	21,225	136,977	169,627
Deferred tax assets	21,336	16,325	12,709
Unallocated head office and corporate assets	298,041	867,323	421,978
Consolidated total assets	10,924,159	17,780,674	33,444,626
Liabilities			
Reportable segment liabilities	8,317,750	13,141,507	25,861,491
Adjustments on reportable segment liabilities	34	6,887	539
	8,317,784	13,148,394	25,862,030
Deferred tax liabilities	8,891	20,848	34,274
Unallocated head office and corporate liabilities	317,796	1,314,920	1,429,503
Consolidated total liabilities	8,644,471	14,484,162	27,325,807

Since the equity interests in Dali Hydro Power were disposed of in January 2009, the Group has one reportable segment which is wind power generation and sale.

(c) Discontinued operation

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Results of discontinued operation			
Revenue	72,647	—	—
Expenses	(60,012)	—	—
Profit before taxation	12,635	—	—
Income tax (note 6(a))	(1,546)	—	—
Results from operating activities, net of income tax	11,089	—	—
Gain on disposal of discontinued operation (note (i))	—	56,119	—
Income tax on gain on disposal of discontinued operation (note 6(a))	—	(16,721)	—
Profit for the year	11,089	39,398	—

Note:

(i) The consideration received by the Company for the disposal of Dali Hydro Power was determined with reference to independent valuation report. The disposal transaction required approval by the non-controlling interests owner of the acquirer, which was obtained in 2009.

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash flows from discontinued operation			
Net cash from operating activities	57,929	—	—
Net cash (used in)/from investing activities	(1,581)	137,547	—
Net cash used in financing activities	(54,788)	—	—
Net cash from discontinued operation	1,560	137,547	—

Effect of disposal on the financial position of the Group

	At date of disposal
	RMB'000
Property, plant and equipment	441,421
Lease prepayments	4,836
Inventories	1,809
Trade debtors and other receivables	5,365
Cash and cash equivalents	12,453
Borrowings	(305,000)
Trade and other payables	(3,351)
Tax payable	(1,064)
Net assets	156,469
Consideration received, satisfied in cash	(150,000)
Cash and cash equivalents disposed of	12,453
Net cash inflow	(137,547)

(d) Geographical information

All of the Group's operations are located in the PRC, therefore no geographic segment information is presented.

(e) Major customers

Revenue from the PRC government controlled power grid companies amounted to RMB320,777,000, RMB847,068,000 and RMB1,758,556,000 for the years ended December 31, 2008, 2009 and 2010, respectively. Service concession construction revenue is all from the PRC government.

11 ROPERTY, PLANT AND EQUIPMENT

	Buildings and Structures	Generators and related Equipment	Motor Vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2008	479,069	1,363,636	18,013	7,494	808,809	2,677,021
Additions	11,502	2,181	21,568	4,310	6,168,127	6,207,688
Transfer from construction in progress	80,072	1,580,435	—	409	(1,660,916)	—
Disposals	—	(32)	(1,039)	(366)	—	(1,437)
Transfer to lease prepayments	—	—	—	—	(8,590)	(8,590)
At December 31, 2008	570,643	2,946,220	38,542	11,847	5,307,430	8,874,682
At January 1, 2009	570,643	2,946,220	38,542	11,847	5,307,430	8,874,682
Net additions arising from sales and leaseback transaction	—	9,205	—	—	—	9,205
Other additions	—	871	14,645	3,563	7,372,577	7,391,656
Transfer from construction in progress	318,942	7,123,633	1,278	5,683	(7,449,536)	—
Disposal of a subsidiary (note 30(a))	(28,942)	(885,591)	(1,434)	(6,387)	(969)	(923,323)
Disposal of discontinued operation (note 10(c))	(390,043)	(205,950)	(3,214)	(1,096)	—	(600,303)
Disposals	—	—	—	(1,857)	—	(1,857)
Transfer to lease prepayments	—	—	—	—	(9,291)	(9,291)
At December 31, 2009	470,600	8,988,388	49,817	11,753	5,220,211	14,740,769
At January 1, 2010	470,600	8,988,388	49,817	11,753	5,220,211	14,740,769
Net additions arising from sales and leaseback transaction	—	(5,885)	—	—	—	(5,885)
Other additions	28	263	39,684	13,820	14,051,791	14,105,586
Transfer from construction in progress	627,310	7,533,574	1,866	5,912	(8,168,662)	—
Disposals	—	(2)	(2,948)	(511)	—	(3,461)
Reclassification	102,458	(102,532)	—	74	—	—
Transfer to lease prepayments	(15,300)	—	—	—	—	(15,300)
At December 31, 2010	1,185,096	16,413,806	88,419	31,048	11,103,340	28,821,709

	Buildings and Structures	Generators and related Equipment	Motor Vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment losses:						
At January 1, 2008	62,705	154,364	6,608	3,850	—	227,527
Depreciation charge for the year	11,449	87,835	3,425	1,496	—	104,205
Written back on disposal	—	(31)	(754)	(363)	—	(1,148)
At December 31, 2008	74,154	242,168	9,279	4,983	—	330,584
At January 1, 2009	74,154	242,168	9,279	4,983	—	330,584
Depreciation charge for the year	9,436	269,126	6,431	2,008	—	287,001
Disposal of a subsidiary (note 30(a))	(461)	(21,480)	(649)	(1,000)	—	(23,590)
Disposal of discontinued operation (note 10(c))	(60,924)	(95,099)	(2,240)	(619)	—	(158,882)
Transfer out arising from sales and leaseback transaction	—	(28,374)	—	—	—	(28,374)
Written back on disposal	—	—	—	(1,851)	—	(1,851)
At December 31, 2009	22,205	366,341	12,821	3,521	—	404,888
At January 1, 2010	22,205	366,341	12,821	3,521	—	404,888
Depreciation charge for the year	25,934	581,846	10,557	3,066	—	621,403
Transfer out arising from sales and leaseback transaction	—	(5,412)	—	—	—	(5,412)
Written back on disposal	—	(2)	(1,605)	(493)	—	(2,100)
Reclassification	3,377	(3,377)	—	—	—	—
At December 31, 2010	51,516	939,396	21,773	6,094	—	1,018,779
Net book value:						
At December 31, 2008	496,489	2,704,052	29,263	6,864	5,307,430	8,544,098
At December 31, 2009	448,395	8,622,047	36,996	8,232	5,220,211	14,335,881
At December 31, 2010	1,133,580	15,474,410	66,646	24,954	11,103,340	27,802,930

Notes:

(i) The Group's property, plants and buildings are all located in the PRC.

(ii) Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's buildings and machinery (see note 20), which had an aggregate net book value of RMB368,133,000 and RMB356,675,000 as at December 31, 2007 and 2008 respectively.

(iii) Property, plant and equipment held under finance leases

Certain properties and equipment of the Group with an aggregate net book value of RMB949,759,000 and RMB1,997,820,000 as at December 31, 2009 and December 31, 2010, are accounted for as finance leases (of which RMB676,929,000 and RMB1,183,032,000 are finance leases pursuant to sales and leaseback transactions), with maturity periods of 81 to 120 months.

Certain properties and equipment held under finance leases were pledged by the future electricity revenue of relevant wind power projects of the Group, with an aggregate net book value of RMB949,759,000 and RMB1,099,645,000 as at December 31, 2009 and December 31, 2010.

(iv) As at December 31, 2010, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties. The aggregate carrying value of such properties of the Group was approximately RMB9.5 million. The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

12 LEASE PREPAYMENTS

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1	9,273	17,863	24,441
Additions	8,590	19,853	44,104
Disposal of a subsidiary (note 30(a))	—	(6,681)	—
Disposal of discontinued operation (note 10(c))	—	(6,594)	—
At the end of the year	17,863	24,441	68,545
Accumulated amortization:			
At January 1	2,602	3,180	1,774
Amortization for the year	578	435	1,715
Disposal of a subsidiary (note 30(a))	—	(83)	—
Disposal of discontinued operation (note 10(c))	—	(1,758)	—
At the end of the year	3,180	1,774	3,489
Net book value:	14,683	22,667	65,056

Lease prepayments mainly represent prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties with lease period of 50 years.

13 INTANGIBLE ASSETS

	Concession assets	Software and others	Total
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1, 2008	40,120	190	40,310
Additions	318,063	306	318,369
At December 31, 2008	358,183	496	358,679
Additions	66,634	426	67,060
Disposal of discontinued operation (note 10(c))	—	(163)	(163)
At December 31, 2009	424,817	759	425,576
Additions	—	941	941
At December 31, 2010	424,817	1,700	426,517

	Concession assets	Software and others	Total
	RMB'000	RMB'000	RMB'000
Accumulated amortization:			
At January 1, 2008	—	101	101
Charge for the year	—	232	232
At December 31, 2008	—	333	333
Charge for the year	13,749	91	13,840
Disposal of discontinued operation (note 10(c))	—	(163)	(163)
At December 31, 2009	13,749	261	14,010
Charge for the year	17,483	207	17,690
At December 31, 2010	31,232	468	31,700
Net book value:			
At December 31, 2008	358,183	163	358,346
At December 31, 2009	411,068	498	411,566
At December 31, 2010	393,585	1,232	394,817

Concession assets represent the rights the Group received for the usage of the concession wind power plants for the generation of electricity. The concession assets are amortized over the operating period of the service concession projects.

14 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Share of net assets	52,403	—	—

The Company's investment in a jointly controlled entity represented the 73.4% equity interests in Yunhe County Shitang Hydro-Power Plant ("Shitang Plant", 雲和縣石塘水電站) which has a registered capital of RMB 50,515,660, is unlisted, was established in the PRC and is engaged in hydro-power generation. As the voting rights attached to the equity interests do not allow either the Company or the other equity owner of Shitang Plant to have the power to govern its financial and operating activities according to its articles of association, the Directors of the Company are of the opinion that the Company and the other equity owner shared joint control over the economic activity of Shitang Plant during the Track Record Period before the investment was derecognized in 2009.

The Company's equity interests in Shitang Plant were originally transferred from Huaneng Group for nil consideration on January 1, 2003, which was accounted for as a contribution from Huaneng Group based on net assets value of Shitang Plant. Following the strategic decision of Huaneng Group, on November 30, 2009, the Company transferred its 73.4% equity interests in Shitang Plant, with the net assets value amounting to RMB 55,533,000 at the date of transfer, for nil consideration to Huaneng Comprehensive Industrial Co., Ltd. (華能綜合產業有限公司), a wholly owned subsidiary of Huaneng Group, which was accounted for as a distribution to Huaneng Group.

Summary financial information on the jointly controlled entity:

	At December 31,					
	2008		2009		2010	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	5,639	4,139	—	—	—	—
Non-current assets	116,527	85,531	—	—	—	—
Current liabilities	14,772	10,843	—	—	—	—
Non-current liabilities	36,000	26,424	—	—	—	—
Equity	71,394	52,403	—	—	—	—

	Years ended December 31,					
	2008		2009 (before the transfer)		2010	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	43,290	31,775	45,065	33,078	—	—
Expenses	43,155	31,676	40,802	29,949	—	—
Profit	135	99	4,263	3,129	—	—

15 OTHER NON-CURRENT ASSETS

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Deductible VAT (note (i))	—	979,598	2,433,559
Unquoted equity investments in non-listed companies, at cost (note (ii))	21,225	136,977	169,627
Deposits and advances to third parties (note (iii))	—	47,963	86,955
	21,225	1,164,538	2,690,141

Notes:

(i) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and intangible assets, which is deductible from output VAT for period after January 1, 2009. Before January 1, 2009, input VAT was recorded as part of the costs of the related assets.

(ii) The following list contains the unquoted equity investments in non-listed entities as of December 31, 2010, all of which are corporate entities and established in the PRC:

	Name of the Company	Particulars of registered capital	Attributable equity interest	Principal activities
		RMB'000		
1	China Huaneng Finance Corporation Ltd. ("Huaneng Finance", 中國華能財務有限責任公司)	2,000,000	1%	Financial services
2	Jilin Zhanyu Wind Power Assets Management Co., Ltd. (吉林省瞻榆風電資產經營管理有限公司)	499,600	12.86%	Management of wind power equipment
3	Neimeng Huhhot Hydro-Power Generation Co., Ltd (內蒙古呼和浩特抽水蓄能發電有限 責任公司)	1,404,626	6.49%	Hydro-power generation utilizing pumped storage technology
4	Huaneng Carbon Asset Management Co., Ltd (華能碳資產經營有限公司)	50,000	10%	Management and investment of carbon assets

(iii) The deposits and advances to third parties are unsecured and interest free. The balance mainly represented deposits with third parties in connection with the finance lease arrangement in the amount of RMB24,163,000 and RMB40,173,000 as at December 31, 2009 and December 31, 2010 which are expected to be repaid at the end of the lease period, and funding support to a local grid company in order to facilitate the construction of the grid network, amounting to RMB23,800,000 and RMB43,800,000 as at December 31, 2009 and December 31, 2010, which the Directors of the Company expect it will be recovered in three years.

16 TRADE DEBTORS AND BILLS RECEIVABLE

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Amounts due from third parties	116,536	386,114	949,574
Amounts due from fellow subsidiaries	308	4,750	10,149
	116,844	390,864	959,723
Less: allowance for doubtful accounts	—	—	—
	116,844	390,864	959,723

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

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Current	116,844	387,301	951,931
Past due within 1 year	—	3,563	4,750
Past due between 1 to 2 years	—	—	3,042
	116,844	390,864	959,723
Less: allowance for doubtful accounts	—	—	—
	116,844	390,864	959,723

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

Trade receivables that were neither past due nor impaired mainly represented the electricity sales receivable from local grid companies for whom there was no recent history of default.

Trade receivables that were past due as at December 31, 2009 and December 31, 2010 represented management service receivable due from a fellow subsidiary controlled by Huaneng Group, which has been settled in March 2011.

All trade debtors and bills receivable are expected to be recovered within one year.

17 PREPAYMENTS AND OTHER CURRENT ASSETS

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
CERs receivable	18,025	6,452	167,253
Staff advance	1,732	3,952	3,982
Deposits	2,067	4,000	8,538
Amounts due from fellow subsidiaries (note (i))	3,327	563,499	—
VAT refund receivables (note (ii))	93,613	12,122	461
Prepayments	158	112	1,126
Other debtors	2,783	7,422	27,169
	121,705	597,559	208,529
Less: allowance for doubtful debts	818	818	818
	120,887	596,741	207,711

Notes:

(i) The amounts due from fellow subsidiaries at December 31, 2009 mainly represented advances made to fellow subsidiaries and payments for expenditures on behalf of fellow subsidiaries, which are unsecured and interest fee. These balances were all subsequently settled during 2010.

(ii) VAT refund receivables represented the VAT refund relating to acquisition of domestic equipments for foreign invested companies, approved by the National Development and Reform Commission and local tax bureau.

Impairment losses in respect of prepayments and other current asset are recorded using an allowance account. The movement in the allowance for bad and doubtful accounts during the Track Record Period is as follows:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At the beginning of the year	461	818	818
Impairment losses recognized	357	—	—
At the end of the year	818	818	818

The Group's prepayments and other current assets of RMB818,000, RMB818,000 and RMB818,000 as at December 31, 2008, 2009 and 2010 were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognized. The Group does not hold any collateral over these balances.

For the other balances of prepayments and other current assets, the management is of the opinion that the counterparties are with good credit quality and the balances are considered fully recoverable.

18 RESTRICTED DEPOSITS

Restricted deposits mainly represent cash pledged as tender bonds for wind power projects.

19 CASH AT BANK AND ON HAND

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Cash on hand	262	322	576
Cash at bank and other financial institutions	1,643,511	818,904	1,308,890
	1,643,773	819,226	1,309,466
Representing:			
— Cash and cash equivalents	1,643,773	789,226	1,297,771
— Time deposits with original maturity over three months	—	30,000	11,695
	1,643,773	819,226	1,309,466

20 BORROWINGS

(a) The Group's long-term interest-bearing borrowings comprise:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Bank and other loans			
— Secured	397,000	285,076	2,355,656
— Unsecured	4,103,796	8,463,928	11,693,483
	4,500,796	8,749,004	14,049,139
Less: Current portion of long-term borrowings			
— Bank and other loans	64,240	661,825	847,804
	4,436,556	8,087,179	13,201,335

As at December 31, 2008, 2009 and 2010, bank loans guaranteed by Huaneng Group amounted to RMB3,753,796,000, RMB6,613,928,000 and RMB26,863,000 respectively.

(b) The Group's short-term interest-bearing borrowings comprise:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Bank and other financial institution loans			
— Secured	15,000	—	—
— Unsecured	1,517,000	736,688	3,969,796
Loans from fellow subsidiaries (unsecured)	800,000	1,400,000	—
Current portion of long-term borrowings			
— Bank and other loans	64,240	661,825	847,804
	2,396,240	2,798,513	4,817,600

As of December 31, 2008, 2009 and 2010, bank loans guaranteed by Huaneng Group amounted to RMB757,000,000, RMB200,000,000 and nil, respectively.

(c) The Group's interest rates on borrowings are as follows:

	At December 31,		
	2008	2009	2010
Long-term			
Bank and other loans	1%(note (i)), 5.51~7.05%	1%(note (i)), 4.86~5.35%	1%(note (i)), 4.86~5.63%
Short-term			
Bank and other financial institution loans	4.78%~7.47%	4.78%	4.59%~5.00%
Loans from fellow subsidiaries	5.02%~6.72%	4.01%~4.78%	n/a

Note:

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

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

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	64,240	661,825	847,804
After 1 year but within 2 years	548,624	708,478	1,654,320
After 2 years but within 5 years	1,173,083	2,813,698	4,407,864
After 5 years	2,714,849	4,565,003	7,139,151
	4,500,796	8,749,004	14,049,139

21 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Present value of the minimum lease payments			
Within 1 year	—	119,156	232,215
After 1 year but within 2 years	—	125,445	259,508
After 2 years but within 5 years	—	418,625	872,474
After 5 years	—	261,696	636,429
	—	805,766	1,768,411
Present value of finance lease obligations	—	924,922	2,000,626

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Total minimum lease payments			
Within 1 year	—	165,911	334,552
After 1 year but within 2 years	—	165,911	353,457
After 2 years but within 5 years	—	497,732	1,060,372
After 5 years	—	275,530	696,629
	—	939,173	2,110,458
	—	1,105,084	2,445,010
Less: total future interest expenses	—	180,162	444,384
Present value of finance lease obligations	—	924,922	2,000,626

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

22 OTHER PAYABLES

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Payables for acquisition of property, plant and equipment and intangible assets	1,327,342	1,472,945	5,083,427
Retention payable (note (i))	176,953	524,295	1,045,711
Dividends payable	600	5,350	—
Payables for staff related costs	15,860	24,068	36,569
Amounts due to related parties (note (ii))	19,860	21,506	18,073
Payables for other taxes	11,282	14,528	28,684
Interest payable	3,947	8,833	19,699
Payables for repairs and maintenance	—	2,814	—
Other accruals and payables	17,662	7,244	23,018
	1,573,506	2,081,583	6,255,181

Notes:

(i) Retention payable represent the retention payables due to equipment suppliers and construction contractors which will be settled upon the expiry of the warranty period.

(ii) Amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.

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

23 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) Tax payable/(recoverable) in the consolidated balance sheets represents:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net tax (recoverable)/payable at beginning of year	(19)	4,444	5,772
Provision for the year (including income tax on gain on disposal of discontinued operation) (note 6(a))	5,845	21,961	14,940
Disposal of discontinued operation (note 10(c))	—	(1,064)	—
Income tax paid	(1,382)	(19,569)	(14,974)
Net tax payable at end of year	4,444	5,772	5,738
Representing:			
Tax payable	4,478	12,659	6,277
Tax recoverable	(34)	(6,887)	(539)
	4,444	5,772	5,738

(b) Deferred tax assets and liabilities recognized:

The components of deferred tax assets/(liabilities) recognized in the consolidated balance sheets and the movements during the Track Record Period are as follows:

	Tax credits for domestic equipment	Trial operation income	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets arising from:				
At January 1, 2008	3,090	5,483	337	8,910
Credited/(charged) to profit or loss	9,860	2,580	(14)	12,426
At December 31, 2008	12,950	8,063	323	21,336
Charged to profit or loss	(4,575)	(333)	(103)	(5,011)
At December 31, 2009	8,375	7,730	220	16,325
Charged to profit or loss	(3,256)	(360)	—	(3,616)
At December 31, 2010	5,119	7,370	220	12,709

	Depreciation of fixed assets and amortization of concession assets	Non-deductible costs of fixed assets	Total
	RMB'000	RMB'000	RMB'000
Deferred tax liabilities arising from:			
At January 1, 2008	(1,313)	—	(1,313)
Charged to profit or loss	(7,578)	—	(7,578)
At December 31, 2008	(8,891)	—	(8,891)
Charged to profit or loss	(8,209)	(3,748)	(11,957)
At December 31, 2009	(17,100)	(3,748)	(20,848)
Charged to profit or loss	(850)	(12,576)	(13,426)
At December 31, 2010	(17,950)	(16,324)	(34,274)

(c) Deferred tax assets not recognized

The Company did not expect to utilize its tax losses in the future and did not recognize deferred tax assets on tax losses of RMB16,062,000 and RMB119,304,000 as at December 31, 2008 and 2010, respectively.

24 DEFERRED INCOME

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
At the beginning of the year	29,255	176,062	234,062
Additions	148,939	67,207	27,910
Credited to profit or loss	(2,132)	(9,207)	(13,226)
At the end of the year	176,062	234,062	248,746

Deferred income mainly represents VAT refund granted by the government relating to the purchase of domestic equipment and subsidies relating to the construction of property, plant and equipment, which would be recognized as income on a straight-line basis over the expected useful life of the relevant assets, and deferred income arising from sales and leaseback transaction which would be amortised over the lease period of approximately 7 years.

25 CAPITAL AND RESERVES

(a) Dividends

The Company has not distributed any dividends during the Track Record Period.

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

Pursuant to the board resolution of the Company on April 29, 2011, the directors resolved to pay the Special Distribution to Huaneng Group amounting to RMB316.2 million.

(b) Paid-in capital/share capital

For the purpose of this report, the paid-in capital of the Group as at December 31, 2008 and 2009 prior to the establishment of the Company represented the paid-in capital of HNEIC.

The share capital of the Company as at December 31, 2010 represented a total of 5,800 million ordinary shares with a par value of RMB1.00 each (note 33).

(c) Reserves

(i) Capital reserve

Capital reserve represented the contributions from the equity owner and the promoter of the Company, and distributions to the equity owner.

(ii) Reserve fund

According to the Company's Article of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to equity owner. This reserve fund can be utilized in setting off accumulated losses or increasing capital of the Company and is non-distributable other than in liquidation.

(iii) Distributability of reserves

Following the Reorganization, the payment of future dividends will be determined by the Company's Board of Directors. The payment of the dividends will depend upon, the future earnings, capital requirements and financial conditions and general business conditions of the Company. As the controlling shareholder, Huaneng Group will be able to influence the Company's dividend policy.

Following the establishment of the Company, under the Company Law of the PRC and the Company's Articles of Association, net profit after tax as reported in the statutory financial statements prepared in accordance with the accounting rules and regulations of the PRC can only be distributed as dividends after allowances have been made for the following:

(i) Making up prior years' cumulative losses, if any;

(ii) Allocations to the reserve fund as set out in note 25 (c) (ii) above; and

(iii) Allocations to the discretionary common reserve if approved by the shareholders.

After the listing of the Company's shares on HKSE, in accordance with the Articles of Association of the Company, the net profit after tax of the Company for the purpose of dividends payment will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratios of the Group as at December 31, 2008, 2009 and 2010 are 79%, 81% and 82%, respectively.

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL INSTRUMENTS

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

(a) Credit risk

The Group's credit risk is primarily attributable to cash and cash equivalents, trade debtors and bills receivable, prepayments and other current assets, and other financial assets.

Substantially all of the Group's cash and cash equivalents are deposited in the stated owned/ controlled PRC banks and Huaneng Finance, a fellow subsidiary controlled by Huaneng Group, which the directors assessed the credit risk to be insignificant.

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group have no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 98.3%, 94.1% and 97.8% of total trade debtors as at December 31, 2008, 2009 and 2010, respectively. For other trade and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the Financial Information.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group to credit risk.

(b) Liquidity risk

The Group's objective is to ensure continuity of sufficient funding and flexibility by utilising a variety of bank and other borrowings with debt maturities spreading over a range of periods, thereby ensuring that the Group's outstanding borrowing obligation is not exposed to excessive repayment risk in any one year.

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, the Group negotiates banking facilities and utilizes operating cash inflows in its subsidiaries.

The Group had net current liabilities of RMB2,062,156,000, RMB3,182,214,000 and RMB8,832,300,000 as at December 31, 2008, 2009 and 2010 respectively. With regards to its future capital commitments and other financing requirements, the Group has unutilized banking facilities of approximately RMB7.4 billion as of December 31, 2010.

In addition, the directors of the Group have carried out a review of the cash flow forecast for the 18-month period ending June 30, 2012. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned borrowings financing which may impact the operations of the Group prior to the end of the next twelve months after the date of this report. The directors are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

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

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	more than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2008						
Long-term borrowings (note 20(a))	4,436,556	6,334,656	305,863	849,126	1,788,701	3,390,966
Short-term borrowings (note 20(b))	2,396,240	2,469,231	2,469,231	—	—	—
Retention payables	48,738	48,738	—	48,738	—	—
Other payables (note 22)	1,573,506	1,573,506	1,573,506	—	—	—
	8,455,040	10,426,131	4,348,600	897,864	1,788,701	3,390,966

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	more than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2009						
Long-term borrowings (note 20(a))	8,087,179	10,747,668	427,880	1,134,923	3,791,957	5,392,908
Short-term borrowings (note 20(b))	2,798,513	2,867,310	2,867,310	—	—	—
Obligations under finance leases (note 21)	924,922	1,105,084	165,911	165,911	497,732	275,530
Retention payables	324,396	324,396	—	293,838	30,558	—
Other payables (note 22)	2,081,583	2,081,583	2,081,583	—	—	—
	14,216,593	17,126,041	5,542,684	1,594,672	4,320,247	5,668,438

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	more than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2010						
Long-term borrowings (note 20(a))	13,201,335	17,481,883	707,015	2,329,348	5,948,432	8,497,088
Short-term borrowings (note 20(b))	4,817,600	4,952,018	4,952,018	—	—	—
Obligations under finance leases (note 21)	2,000,626	2,445,010	334,552	353,457	1,060,372	696,629
Retention payables	761,768	821,238	—	243,360	577,878	—
Other payables (note 22)	6,255,181	6,255,181	6,255,181	—	—	—
	27,036,510	31,955,330	12,248,766	2,926,165	7,586,682	9,193,717

(c) Interest rate risk

The Group's interest rate risk arises primarily from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the Track Record Period, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the balance sheet date. The interest rate and maturity information of the Group's borrowings are disclosed in note 20.

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Net fixed rate borrowings:			
Borrowings	1,974,180	1,515,841	2,166,659
Less: Bank deposits (including restricted deposits)	15,000	45,000	11,695
	1,959,180	1,470,841	2,154,964
Net floating rate borrowings:			
Borrowings	4,858,616	9,369,851	15,852,276
Obligations under finance lease	—	924,922	2,000,626
Less: Bank deposits (including restricted deposits)	1,657,232	789,743	1,298,037
	3,201,384	9,505,030	16,554,865
Total net borrowings	5,160,564	10,975,871	18,709,829

At December 31, 2008, 2009 and 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB11,702,000, RMB37,318,000, and RMB103,478,000 respectively.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for non-derivative financial instruments in existence at the balance sheet date.

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The sensitivity analysis is performed on the same basis for the entire Track Record Period.

(d) Currency risk

The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables and borrowings and cash balances that are denominated in a foreign currency other than RMB. The currencies giving rise to this risk are primarily Euros and United States dollars.

(i) Recognized assets and liabilities

Except for CERs sales which were denominated in foreign currencies, all of the revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in United States dollars. The directors considered that the Group's exposure to foreign currency risk is insignificant.

On the other hand, RMB is not a freely convertible currency and the PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. Changes in the foreign exchange control system may prevent the Group from satisfying sufficient foreign currency demands and the Group may not be able to pay dividends in foreign currencies to its equity owner.

(ii) Exposure to currency risk

The following table details the Group's exposure at the balance sheet date to currency risk arising from recognized assets or liabilities denominated in a currency other than RMB to which they relate.

	At December 31,					
	2008		2009		2010	
	USD RMB'000	EUR RMB'000	USD RMB'000	EUR RMB'000	USD RMB'000	EUR RMB'000
Cash and cash equivalents	4	1,937	—	1,974	34,903	1,777
Trade debtors	—	1,690	—	18,276	—	11,278
Other receivables	—	18,025	—	6,452	—	167,253
Long-term bank loans	(29,180)	—	(29,153)	—	(26,863)	—
Net exposure	(29,176)	21,652	(29,153)	26,702	8,040	180,308

The followings are USD and EUR exchange rates to RMB during the Track Record Period:

	Average rate			Reporting date spot rate		
	2008	2009	2010	2008	2009	2010
USD	7.0696	6.8314	6.7255	6.8346	6.8282	6.6227
EUR	10.1630	9.7281	9.3018	9.6590	9.7971	8.8065

A 5% strengthening of RMB against the following currencies as at December 31, 2008, 2009 and 2010 would have increased/(decreased) the net profit and retained profit by the amount shown below.

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
USD	1,167	1,137	(724)
EUR	(954)	(1,168)	(8,683)
	213	(31)	(9,407)

A 5% weakening of RMB against the above currencies as at December 31, 2008 and 2009 and 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to the Group's exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for the Track Record Period.

(e) Fair values

The Group has no financial instruments carried at fair value during the Track Record Period. The investments in unquoted equity securities (note 15(ii)) are measured at cost which fair value cannot be measured reliably as these investments in non-listed companies do not have quoted market price in an active market. The Group has no intention to dispose these investments.

The carrying amounts of the Group's other financial instruments carried at cost or amortized cost are not materially different from their fair values as at December 31, 2008, 2009 and 2010. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

27 COMMITMENTS

(a) Capital commitments outstanding at each year end not provided for in the Financial Information were as follows:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Contracted for	7,736,608	10,251,263	8,066,459
Authorized but not contracted for	4,189,451	8,811,266	18,322,479
	11,926,059	19,062,529	26,388,938

(b) At each year end, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Within 1 year	300	786	5,274
After 1 year but within 5 years	432	643	4,966
	732	1,429	10,240

The Group leases certain buildings through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments.

28 CONTINGENT LIABILITIES

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

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

The Group is part of a larger group of companies under Huaneng Group and has significant transactions and relationships with the subsidiaries of Huaneng Group.

Apart from those disclosed in note 10, 14 and note 30(a), the principal related party transactions which were carried out in the ordinary course of business are as follows:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Continuing related party transactions			
Service provided to			
Fellow subsidiaries (note (i))	—	—	4,050
Service provided by			
Fellow subsidiaries (note (ii))	7,484	11,067	22,916
Loan guarantees provided by/(revoked)			
Huaneng Group (note (iii))	3,096,935	2,303,133	(6,787,065)
Related party transactions discontinued/to be discontinued			
Service provided to			
Fellow subsidiaries (note (iv))	4,148	4,750	5,920
Service provided by			
Huaneng Group (note (v))	—	—	1,854

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Loans received from/ (repayment to)			
Fellow subsidiaries (note (vi))	800,000	600,000	(1,400,000)
Interest expenses			
Fellow subsidiaries (note (vi))	12,848	55,281	31,391
Net deposit in/(withdrawal from)			
Huaneng Finance (note (vii))	513,629	(304,468)	(681,543)
Interest income			
Huaneng Finance (note (vii))	8,567	9,266	9,937
Working capital provided to/ (received from)			
Fellow subsidiaries (note (viii))	2,601	217,172	(563,499)

Notes:

The Directors are of the opinion that the related party transactions as set out below will continue to exist following the completion of the listing on the HKSE.

(i) Service provided to fellow subsidiaries represented CDM management services provided to certain wind power projects of Huaneng International Power Development Corporation (華能國際電力開發公司) ("HIPDC") and Huaneng Power International Inc. (華能國際電力股份有限公司) ("HPI").

(ii) Service provided by fellow subsidiaries mainly represented property insurance services provided by Alltrust Insurance Company of China Limited (永誠財產保險股份有限公司) and property lease services provided by Xinsheng Property Management Co., Ltd. (新升物業管理公司).

(iii) This represented loans guaranteed by Huaneng Group, among which, the loan funded by Spanish government (note 20(c)(i)) will continue to be guaranteed by Huaneng Group.

The related party transactions as set out below have already been terminated or the Directors are of the opinion that will be discontinued after the listing of the Company's share on the HKSE.

(iv) Service provided to fellow subsidiaries represented management services provided to certain wind power projects of HIPDC.

(v) Service provided by Huaneng Group represented technical support service provided by Huaneng Group.

(vi) This represented short term loans borrowed from Huaneng Guicheng Trust Limited (華能貴誠信託有限公司) and Huaneng Finance and corresponding interest expenses incurred.

(vii) This represented net deposits placed in or net cash withdraw from Huaneng Finance and corresponding interest income generated.

(viii) This mainly represented advances to HPI and HIPDC, payments for expenditures on behalf of certain wind power projects of HPI and the subsequent repayments.

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary, Huaneng Finance, amounted to RMB986,011,000, RMB681,543,000 and nil as at December 31, 2008, 2009 and 2010 respectively. Details of the other outstanding balances with related parties are set out in notes 15, 16, 17, 20 and 22.

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

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

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

— Sales of electricity;

— Depositing and borrowing money;

— Purchase of materials and receiving construction work services; and

— Service concession arrangements.

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

Having considered the potential for transactions to be impacted by related party relationships, the Group's approval processes and financing policy, and what information would be necessary for an understanding of the potential effect of the relationship on the Financial Information, the directors are of the opinion that the following transactions require disclosure as related party transactions relating to state-controlled entities:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Sales of electricity	320,777	847,068	1,758,556
Service concession construction revenue	318,063	66,634	—
Other revenue	4,148	4,750	9,970
Interest income	3,995	7,395	4,219
Interest expense	88,795	223,153	451,617
Loans received, net	4,605,195	3,331,160	5,807,297
Purchase of materials and receiving construction service	3,812,052	4,407,839	9,425,819

The balances due from/(to) other state-controlled entities transactions are as follows:

	At December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Receivables from sales of electricity	114,296	367,838	938,296
Cash on hand and at bank and restricted deposits	1,487,693	823,989	1,168,242
Borrowings	(6,353,615)	(9,684,775)	(15,492,072)
Payables for purchase of materials and receiving construction service	(289,199)	(576,473)	(3,891,269)

(d) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Group's directors.

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 7, and certain of the highest paid employees as disclosed in note 8, is as follows:

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	1,210	2,173	3,186
Discretionary bonus	617	843	958
Retirement scheme contributions	326	306	312
	2,153	3,322	4,456

30 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

(a) Disposal of a subsidiary

On August 28, 2009, the Company sold its 65% equity interests in a subsidiary, Huaneng Qidong Wind Power Company Limited ("Qidong Power", 華能啟東風力發電有限公司), which was engaged in wind power generation and sale, to HPI, a fellow subsidiary controlled by Huaneng Group. The transaction was approved by SASAC on August 28, 2009. The consideration received by the Company, amounting to RMB103,000,000, was determined with reference to an independent valuation report issued by DeveChina Assets Appraisal Co., Ltd. (中發國際資產評估有限公司), an independent appraiser in the PRC.

Qidong Power commenced operation in 2009. The revenue and net profit for the period from January 1, 2009 to the date of disposal amounted to RMB42,988,000 and RMB9,432,000 respectively. The assets and liabilities by major category at the date of disposal is as follows:

	At date of disposal
	RMB'000
Cash and cash equivalents	31,737
Trade and other receivables	15,922
Property, plant and equipment	899,733
Lease prepayments	6,598
Trade and other payables	(196,558)
Long-term borrowings	(600,000)
Net assets	157,432
Consideration received, satisfied in cash	103,000
Less: Cash and cash equivalents disposed of	31,737
Net cash inflow	71,263

(b) Major non-cash transactions

	Years ended December 31,		
	2008	2009	2010
	RMB'000	RMB'000	RMB'000
Acquisition of property, plant and equipment by means of finance lease (including related deductible VAT)	—	287,413	659,336
Distribution to Huaneng Group (note 14)	—	55,533	—

31 CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES IN APPLYING THE GROUP'S ACCOUNTING POLICIES

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

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those polices and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The principal accounting policies are set forth in note 1. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

(a) Impairment losses for bad and doubtful debts

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

(b) Impairment losses of non-current assets

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, lease prepayments and intangible assets, recoverable amount of the asset needs to be determined. The recoverable amount is the greater of the fair value less costs to sell and the value in use. It is difficult to precisely estimate selling price because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flow generated by the asset are discounted to their present value, which requires significant judgment relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

(c) Recognition of deferred tax assets

Deferred tax assets in respect of unused tax losses and tax credit carried forward and deductible temporary differences are recognized and measured based on the expected manner of realization or settlement of the carrying amount of the assets, using tax rates enacted or substantively enacted at the balance sheet date. In determining the carrying amounts of deferred assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgment exercised by the directors. Any change in such assumptions and judgment would affect the carrying amounts of deferred tax assets to be recognized and hence the net profit in future years.

(d) Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(e) Income tax

The Group files income taxes with a number of tax authorities. Judgment is required in determining the provision for taxation. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes of these matters are different from the amounts originally recorded, the differences may impact the current income tax and deferred income tax provisions in the periods in which the final tax outcomes became available.

32 PARENT AND ULTIMATE HOLDING COMPANY

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

33 THE COMPANY'S BALANCE SHEET

The balance sheet of the Company as at December 31, 2010 was as follows:

	At December 31, 2010
	RMB'000
Non-current assets	
Property, plant and equipment	208,477
Investment in subsidiaries	5,089,284
Loans and advances to subsidiaries	8,534,026
Other non-current assets	133,949
Total non-current assets	13,965,736
Current assets	
Loans and advances to subsidiaries	3,984,844
Trade debtors and bills receivable	10,149
Prepayments and other current assets	15,125
Restricted deposits	842
Cash at bank and on hand	325,224
Total current assets	4,336,184
Current liabilities	
Borrowings	3,834,264
Obligations under finance leases	157,688
Other payables	91,364
Tax payable	3,418
Total current liabilities	4,086,734
Net current assets	249,450
Total assets less current liabilities	14,215,186

	At December 31, 2010
	RMB'000
Non-current liabilities	
Borrowings	8,745,242
Obligations under finance lease	954,111
Deferred income	15,750
Total non-current liabilities	9,715,103
NET ASSETS	4,500,083
CAPITAL AND RESERVES	
Share capital	5,800,000
Reserves	(1,299,917)
TOTAL EQUITY	4,500,083

Pursuant to the Approval of Establishing Huaneng Renewables Corporation Limited, issued by SASAC, the Company was established as a joint stock company on 5 August 2010. Upon establishment, the Company had a total of 5,800 million issued ordinary shares, with a par value of RMB1.00 each. The Company issued to Huaneng Group 5,510 million shares, or 95% of the total issued shares, in exchange for (a) all the assets and liabilities of HNEIC; and (b) cash of RMB1,882,396,455. The Company also issued 290 million shares, or 5% of the total issued shares, to Huaneng Capital, a wholly owned subsidiary of Huaneng Group, in exchange for cash of RMB290 million.

34 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2010

Up to the date of this report, the IASB has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended December 31, 2010 and which have not been adopted in preparing the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendment to IAS 32, Financial instruments: Presentation — Classification of rights issues	February 1, 2010
Amendment to IFRS 1, First-time adoption of International Financial Reporting Standards — Limited exemption from comparative IFRS 7 disclosures for first-time adopters	July 1, 2010
IFRIC 19, Extinguishing financial liabilities with equity instruments	July 1, 2010
Improvements to IFRSs 2010	July 1, 2010 or January 1, 2011
Amendment to IFRIC 14, Prepayments of a minimum funding requirement	January 1, 2011
IAS 24 (revised), Related party disclosures	January 1, 2011
Amendment to IFRS 7, Financial instruments: Disclosures — Transfers of financial assets	July 1, 2011
Amendments to IAS 12, income taxes	January 1, 2012
IFRS 9, Financial instruments	January 1, 2013
IFRS 10, Consolidated financial statements	January 1, 2013
IFRS 11, Joint arrangements	January 1, 2013
IFRS 12, Disclosure of interests in other entities	January 1, 2013
IFRS 13, Fair value measurement	January 1, 2013
IAS 27, Separate financial statements (2011)	January 1, 2013
IAS 28, Investments in associates and joint ventures (2011)	January 1, 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standard and new interpretations is expected to be in the period of initial application. So far the Group believes that the adoption of these new IFRSs is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

There were no material subsequent events subsequent to December 31, 2010.

E SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Group in respect of any period subsequent to December 31, 2010.

Yours faithfully

Certified Public Accountants
Hong Kong