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華電國際電力股份有限公司
Huadian Power International Corporation Limited*

(A Sino-foreign investment joint stock company limited by shares incorporated in the People's Republic of China (the "PRC"))

(Stock Code: 1071)

ANNUAL RESULTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2011

The board of directors (the "**Board**") of Huadian Power International Corporation Limited* (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (the "**Group**") for the financial year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

FINANCIAL AND BUSINESS SUMMARY

- Power generation amounted to 150.76 million MWh, representing an increase of approximately 15.71% over 2010; the volume of power sold amounted to 140.84 million MWh, representing an increase of approximately 16.11% over 2010.

- Turnover amounted to approximately RMB54,178 million, representing an increase of approximately 19.87% over 2010.

- Profit attributable to equity shareholders of the Company amounted to approximately RMB74 million.

- Earnings per share was RMB0.011. The Board did not propose to declare any dividend for the financial year of 2011.

STATUTORY SURPLUS RESERVE

According to the Company's Articles of Association, the Company is required to transfer at least 10% (at the discretion of the Board) of its profit after tax, as determined under the PRC accounting rules and regulations, to a statutory surplus reserve until the surplus reserve balance reaches 50% of the registered capital. The transfer to the statutory surplus reserve must be made before the distribution of dividend to shareholders. The statutory surplus reserve can be used to make up losses (if any) of the previous year and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after the issue of new shares is not less than 25% of the registered share capital. The Board resolved to transfer 10% of the annual profit after tax as determined under the PRC accounting rules and regulations, amounting to RMB13,956,000 (2010: RMB47,541,000), to the statutory surplus reserve on 28 March 2012.

DIVIDENDS

Pursuant to a resolution passed at the Board meeting held on 28 March 2012, as the Group's earnings per share after deducting a one-off investment income was negative in 2011, the Board of the Company did not propose distribution of any final dividend to shareholders for the financial year ended 31 December 2011, subject to the approval by the shareholders at the upcoming annual general meeting.

THE GROUP'S MAJOR EXISTING ASSETS

The Group is one of the largest comprehensive energy companies in the PRC, and mainly engages in the construction and operation of power plants, including large-scale efficient coal- and gas-fired generating units and various renewable energy projects, and the development, construction and operation of coal mines. The power plants and companies affiliated with the Group are all strategically located in the vicinity of electricity load centres or coal mining regions. As at the date of this announcement, the controlled power plants of the Group which have commenced operation totaled 32, with the total interested installed capacity of the Group amounting to 25,785.2 MW *(Note 1)* and the total controlled installed capacity of the Group amounting to 29,818 MW *(Note 2)*, including 27,934 MW attributable to coal- and gas-fired generating units, and 1,884 MW attributable to renewable energy generating units. The coal mining enterprises controlled and invested by the Company totaled 16, with coal resource reserves of approximately 2 billion tonnes and production capacity of approximately 12.7 million tonnes/year.

Details of the Group's major operational power generating assets and coal mining assets as at the date of this announcement are as follows:

(1) Controlled coal- and gas-fired generating units totaled 27,934 MW, the details of which are as follows:

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
1	Zouxian Plant	2,540	100%	2 x 600MW + 4 x 335MW
2	Shiliquan Plant	770	100%	1 x 330MW + 1 x 300MW + 1 x 140MW
3	Laicheng Plant	1,200	100%	4 x 300MW
4	Huadian Zouxian Power Generation Company Limited ("Zouxian Company")	2,000	69%	2 x 1,000MW
5	Huadian Weifang Power Generation Company Limited ("Weifang Company")	2,000	45%	2 x 670MW + 2 x 330MW
6	Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	1,200	55%	4 x 300MW
7	Huadian Zibo Thermal Power Company Limited ("Zibo Company")	433	100%	2 x 145MW + 2 x 71.5MW
8	Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	890	87.5%	2 x 300MW + 2 x 145MW
9	Huadian Tengzhou Xinyuan Thermal Power Company Limited ("Tengzhou Company")	930	93.257%	2 x 315MW + 2 x 150MW
10	Shandong Century Electric Power Development Company Limited ("Century Power Company")	1,046	84.31%	4 x 220MW + 1 x 110MW + 2 x 28MW

11	Huadian Ningxia Lingwu Power Generation Company Limited ("Lingwu Company")	3,320	65%	2 x 1,060MW + 2 x 600MW
12	Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	660	50%	2 x 330MW
13	Sichuan Guang'an Power Generation Company Limited ("Guang'an Company")	2,400	80%	2 x 600 MW + 4 x 300 MW
14	Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	1,320	90%	2 x 660 MW
15	Huadian Luohe Power Generation Company Limited ("Luohe Company")	660	75%	2 x 330MW
16	Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	1,260	97%	2 x 630MW
17	Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	1,320	65%	2 x 660MW
18	Hangzhou Huadian Banshan Power Generation Company Limited ("Hangzhou Banshan Company")	1,435	64%	3 x 390MW + 1 x 135MW + 1 x 130MW
19	Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	1,100	82%	2 x 300MW + 2 x 200MW + 4 x 25MW
20	Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Company")	600	90%	2 x 300MW
21	Hebei Huarui Energy Group Corporation Limited ("Huarui Company") *(Note 3)*	1,625.9	100%	—
22	Shaoguan City Pingshi Electric Power Plant Company Limited *(Plant B)* ("Pingshi Power Company")	725	100%	2 x 300MW + 1 x 125MW

Note 1: The total interested installed capacity of the Group refers to installed capacity of the Company and companies controlled or invested by the Company which was aggregated based on the respective percentage of equity interests held by the Company.

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

Note 3: As at the date of this announcement, the interested installed capacity of Huarui Company held by the Group amounted to 1,625.9MW.

(2) Controlled renewable energy generating units totaled 1,884 MW, the details of which are as follows:

	Name of power plant/company	Installed capacity *(MW)*	Equity interest held by the Company	Generating units
1	Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	25	78%	2 x 12.5 MW
2	Sichuan Huadian Luding Hydropower Company Limited ("Luding Hydropower Company")	460	100%	2 x 230 MW
3	Sichuan Huadian Za-gunao Hydroelectric Development Company Limited ("Za-gunao Hydroelectric Company")	591	64%	3 x 65 MW + 3 x 56 MW + 3 x 46 MW + 3 x 30 MW
4	Hebei Huadian Complex Pumping-storage Hydropower Company Limited ("Hebei Hydropower Company")	57	100%	1 x 16 MW + 2 x 15 MW + 1 x 11 MW
5	Huadian Inner Mongolia Kailu Wind Power Company Limited ("Kailu Wind Power Company")	399	100%	262 x 1.5 MW + 2 x 3 MW
6	Huadian Ningxia Ningdong Wind Power Company Limited ("Ningdong Wind Power Company")	151.5	100%	101 x 1.5 MW

7	Hebei Huadian Guyuan Wind Power Company Limited (“Guyuan Wind Power Company”)	100.5	100%	67 x 1.5 MW
8	Huadian Laizhou Wind Power Company Limited (“Laizhou Wind Power Company”)	40.5	55%	27 x 1.5 MW
9	Huadian Kezuozhongqi Wind Power Company Limited (“Kezuozhongqi Wind Power Company”)	49.5	100%	33 x 1.5 MW
10	Huadian Ningxia Ningdong Shangde Solar Power Company Limited (“Shangde Solar Company”)	10	60%	10 x 1 MW

(3) Coal resource reserves amounted to approximately 2 billion tonnes and total capacity amounted to approximately 12.7 million tonnes/year, the details of which are as follows:

Name of company	Percentage of equity interest held by the Group	Resources reserve *(million tonnes)*	Interested resources reserve *(million tonnes)*	Capacity *(thousand tonnes/year)*
Shanxi Shuozhou Pinglu Maohua Bailu Coal Company Limited	100%	395	395	1,200
Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited	70%	373	261	2,100
Shanxi Shuozhou Pinglu Maohua Dongyi Coal Company Limited	70%	128	90	900
Inner Mongolia Alxa League Shunge Mining Industry Company Limited (“Shunge Company”)	100%	28	28	300
Inner Mongolia Haoyuan Mining Company Limited (“Haoyuan Company”)	85%	77	65	1,200
Anhui Wenhui New Products Promotion Company Limited (“Wenhui Company”)	51%	39	20	600
Sichuan Huayingshan Longtan Coal Power Company Limited (“Longtan Company”) *(Note)*	45%	97	44	1,500

Ningxia Yinxing Coal Company Limited	45%	792	356	4,000
Otog Front Banner Changcheng Mine Company Limited	35%	111	39	600
Inner Mongolia Fucheng Mining Company Limited	35%	238	83	2,400
Otog Front Banner Zhengtai Trading Company Limited	35%	216	76	2,400
Otog Front Banner Quanhui Trading Company Limited	35%	723	253	3,000
Otog Front Banner Baihui Trading Company Limited	35%	199	70	1,800
Linfen City Changfa Coal Coke Company Limited ("Changfa Coal Coke") *(Note)*	33%	117	39	1,200
Huadian Coal Industry Group Company Limited ("Huadian Coal Industry")	12.56%	—	—	—
Shandong Luneng Heze Coal Power Development Company Limited	12.27%	—	—	—

Note: The Group's non-wholly-owned subsidiaries Guang'an Company and Century Power Company, respectively, hold 45% and 33% equity interests in Longtan Company and Changfa Coal Coke.

BUSINESS REVIEW

(1) Power Generation

Power generation of the Group in 2011 amounted to 150.76 million MWh, representing an increase of approximately 15.71% over 2010; on-grid power sold amounted to 140.84 million MWh, representing an increase of approximately 16.11% over 2010. The annual utilisation hours of the coal-fired generating units were 5,494 hours. Coal consumption for power supply was 315.93g/KWh.

(2) Turnover

In 2011, turnover of the Group amounted to approximately RMB54,178 million, representing an increase of approximately 19.87% over 2010. Revenue generated from sale of electricity amounted to approximately RMB51,125 million, representing an increase of approximately 17.45% over 2010; revenue generated from sale of heat amounted to approximately RMB2,698 million, representing an increase of approximately 61.77% over 2010; revenue from sale of coal was RMB355 million.

(3) Profit

In 2011, operating profit of the Group amounted to RMB3,155 million, representing an increase of approximately RMB1,429 million over 2010, mainly due to increases in power generation volume and on-grid tariff. For the year ended 31 December 2011, the Group's profit attributable to equity shareholders of the Company amounted to approximately RMB74 million. Earnings per share was RMB0.011.

(4) New Generating Units

From 1 January 2011 to the date of this announcement, the capacity of the Group's new generating units amounted to 3,499MW:

Project Name	**Capacity** *(MW)*
Phase II Project of Lingwu Company	2,120
Project of Luhua Company	600
Project of Luding Hydropower Company	460
Gucheng Project of Za-gunao Hydroelectric Company	56
Shiziping Project of Za-gunao Hydroelectric Company	65
Beiqinghe Project of Kailu Wind Power Company	99
Dailiji Project of Kezuozhongqi Wind Power Company	49.5
Phase III Project of Ningdong Wind Power Company	49.5
Total	3,499

(5) Approved Projects

As at the date of this announcement, the Group's major projects which have been officially approved by the relevant State or local authorities are as follows:

Name of project	Planned installed capacity
Huadian Laizhou Power Generation Company Limited ("Laizhou Company")	2 x 1,000MW generating units
Anhui Huadian Lu'an Power Generation Company Limited	1 x 600MW generating unit
Huadian Qudong Power Generation Company Limited	2 x 300MW heat-power co-generating units
Zibo Company	2 x 300MW heat-power co-generating units
Huadian Shuozhou Thermal Power Generation Company Limited	2 x 300MW heat-power co-generating units
Tianjin Nanjiang Phase I Project	2 x 300MW heat-power co-generating units
Tianjin Nanjiang Phase II Project	900MW gas-fired generating units
Tianjin Wuqing Distributed Energy Project	2 x 200MW gas-fired generating units
Luding Hydropower Company	2 x 230MW hydroelectric generating units
Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("Shuiluohe Company")	324MW hydroelectric generating units
Jincheng Wind Power Project of Huadian Laizhou Wind Power Generation Company Limited	48MW wind power generating units
Hebei Huadian Kangbao Wind Power Company Limited ("Kangbao Wind Power Company")	49.5MW wind power generating units
Huanghualiang Wind Farm Project of Hebei Huadian Yuzhou Wind Power Company Limited ("Yuzhou Wind Power Company")	49.5MW wind power generating units
Zhenjiawan Wind Farm Project of Yuzhou Wind Power Company	49.5MW wind power generating units

Phases II & III Projects of Guyuan Wind Power Company	150MW wind power generating units
Phases IV, V & VI Projects of Ningdong Wind Power Company	148.5MW wind power generating units
Phases I & II Projects of Huadian Ningxia Yueliangshan Wind Power Company ("Yueliangshan Wind Power Company")	99MW wind power generating units
Phases I & II Projects of Wuyuan Wind Farm in Haiyuan of Huadian Ningxia Liupanshan Wind Power Company Limited ("Liupanshan Wind Power Company")	99MW wind power generating units
Danangou Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Ganganliang Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Songjiayao Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Tuoliebao Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Xiajiayao Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Daju Project of Liupanshan Wind Power Company	49.5MW wind power generating units
Solar Power Generation Project at Taiyangshan, Wuzhong, Ningxia	10MW solar power generating units
Total	8,084MW

(6) Preliminary projects

As at the date of this announcement, the Group's major preliminary projects which have obtained "road slip" (i.e. preliminary approval by the National Development and Reform Commission ("NDRC") or its local counterparts), and are subject to the official approval by the relevant State or local authorities are as follows:

Project Name	Planned installed capacity
Expansion Project of Shiliquan Plant	1 x 600MW generating unit
Phase III Project of Qingdao Company	1 x 300MW heat-power co-generating unit
Phase I Project in Shantou, Guangdong	2 x 600MW generating units project
Chongqing Fengjie Project	2 x 600MW generating units project
Phase II Project of Hangzhou Banshan Company	3 x 390MW generating units project
Jiangdong Project in Hangzhou, Zhejiang	2 x 390MW generating units project
Xiasha Project in Hangzhou, Zhejiang	2 x 115MW generating units project
Zhejiang Longyou Project	2 x 180MW generating units project
Guangdong Shenzhen Pingshan Distributed Energy Project	3 x 50MW generating units project
Projects of Shuiluohe Company	1,116MW hydroelectric generating units
Saibei Phase I Project in Zhangjiakou, Hebei	100MW wind power generating units
Saibei Phase II Project in Zhangjiakou, Hebei	49.5MW wind power generating units
Xihutong Phase I Project of Guyuan Wind Power Company	49.5MW wind power generating units
Phase II Project of Kangbao Wind Power Company	49.5MW wind power generating units

Phase III Project of Kangbao Wind Power Company	49.5MW wind power generating units
Shipeng Phase I Project of Kangbao Wind Power Company	49.5MW wind power generating units
Nanhuashan Project in Haiyuan, Ningxia	198MW wind power generating units
Phase II Project in Haiyuan, Ningxia	396MW wind power generating units
Gaojialiang Phase I Project in Chifeng, Inner Mongolia	47.5MW wind power generating units
Gansen Phase I Project in Golmud, Qinghai	49.5MW wind power generating units
Total	8,144.5MW

BUSINESS OUTLOOK

(1) Opportunities for the Group

According to forecasts, China's economy will maintain stable and rapid growth in 2012, with GDP growth rate at approximately 7.5%, while power demand will continue to increase. Total power consumption of the society for the year would increase by approximately 9.5%. The newly added installed capacity for the year is expected to be around 85,000 MW. In particular, the newly added installed capacity for coal-fired power generation will drop to around 50,000 MW throughout the year. Growth of coal-fired power generation will be lower than that of total power consumption of the society, which may lead to further increase in the utilisation hour of coal-fired generating units. The government has stepped up its intervention in thermal coal prices and has contained the drastically surging price. As the NDRC raised the on-grid tariff for coal-fired generating units in 2011, the profitability of coal-fired generating units will grow remarkably.

(2) Challenges Faced by the Group

Firstly, although China's economy has maintained steady growth on the whole, its growth has shown signs of slowing down. With increasing downward pressure on economic growth and impacted by the global economy, there are many uncertain factors. Secondly, demand for electricity remains strong, but the increase rate will drop to a certain degree. Meanwhile, with upward adjustment to tariffs, power companies see more incentives to increase power generation, which will result in intensified competition in the power market. Therefore there is only limited room for power companies to mitigate operational pressure by increasing power generation. Thirdly, the government has imposed increasingly rigorous requirements on energy saving and emission reduction as well as environmental protection. All emission requirements in the Emission Standards of Air Pollutants for Thermal Power Plants as newly revised by the government have reached the highest level worldwide. To meet the emission requirements under the new standards, coal-fired power generation enterprises will during the "Twelfth Five-Year Plan" period expand investments in denitration, desulfuration and electric precipitation, which will increase their operating costs to some extent. Fourthly, there are increasing difficulties in developing premium resources projects. With decreasing resources on premium power source projects, competition grows more intense. As local governments raise the threshold for accessing the coal mining sector, transfer prices of coal resources are hovering at high level, with less room for development and fewer opportunities, but more investment risks. Fifthly, given the generally high gearing ratio of power generation enterprises, and with the upward adjustment by the State on bank lending rates, the finance costs of such power generation enterprises keep climbing.

(3) Development Strategy and Operating Plan for 2012

Despite great pressure on environmental protection and finance costs, the profitability of the Group's coal-fired generating units will improve significantly, benefiting from such factors as the rise of on-grid tariffs for coal-fired generating units. Moreover, the power structure of the Group has improved continuously through optimising the development of large-scale and environment-friendly thermal power projects and achieving considerable progress in its hydropower and wind power projects. Meanwhile, the Company's investment in the coal industry has gradually come to bear fruit.

In 2012, the Group will put more efforts in practice of scientific development perspective, give priority to creation of sustainable value and accelerate strategic transformation. The Group will improve the existing operation while optimising the development of new projects. Targeting improvement of profitability as core, acceleration of restructuring as mainline, innovation of mechanism and system as support, and capital operation as method, the Group will focus its resources on three major sectors, namely, highly efficient coal-fired power generation, clean energy and coal. The Group will gear up to build itself into a comprehensive energy company with optimised asset structure, high-standard management, favorable profitability, positive corporate image and strong competitiveness. In 2012, the Group plans to invest approximately RMB14 billion in the development of thermal power, wind power, hydropower and coal mining projects. If external conditions remain stable without major changes in 2012, the Group will endeavor to achieve power generation of not less than 170 million MWh, utilisation hours of the power generating units of an estimate of not less than 5,470 hours, and coal output of over 8 million tonnes. In 2012, the top priorities of the Group are as follows:

1. **To speed up the structural adjustment and optimisation and proactively promote scientific development.** The Group will accelerate adjustment and optimisation of industrial structure, power source structure and regional structure, optimise investment structure and development of thermal power projects, accelerate development of clean energy projects and actively develop the coal business.

2. **To spare no efforts in fuel management so as to effectively lower fuel costs.** The Group will timely monitor the dynamics in coal supply and demand, flow direction and price movements, optimise coal procurement strategy and reserve plan and increase execution percentage of key contracts; increase fuel blending and mixed burning, uplift comprehensive profitability of production and operation, so as to control and lower prices.

3. **To enhance marketing for more power generation and higher profitability.** The Group will reinforce economical and optimal scheduling of power generation, practically leverage the advantages of superior and large generating units, and boost regional economic operation; proactively strive for more planned power generation, enhance operation and optimise scheduling, aiming for maximization of power generation returns. Meanwhile, the Group will explore the heat supply market in a scientific and reasonable manner, optimise heat sales structure continuously, raise profitability of heat sales and tap more profitability of heat supply business.

4. **To strengthen capital management.** The Group will closely follow the State's monetary policy, fully leverage favorable opportunities arising from relaxation of the monetary policy to increase bank credit line and replace high-rate loans, and effectively control finance costs.

5. **To enhance production safety management, strengthen cost reduction and efficiency upgrade.** The Group will put more efforts in energy saving and consumption reduction, actively apply advanced new technology in energy saving, further reduce key energy consumption indicators such as coal consumption for power supply, and uplift the comparative competitiveness of generating units.

6. **To push forward the implementation of professional management, and boost the value contribution of the coal sector.** The Group will speed up infrastructure construction of coal mines, and build up a scale-based capacity which is safe, highly efficient, technically advanced, economically beneficial, energy-saving, and environment-friendly, so as to entrench its advantages in the coal industry and enhance the economic benefit of the coal sector.

7. **To promote establishment and improvement of the internal control system, further optimise and improve the internal control structure and assessment system as required by regulatory authorities and based on the Company's actual conditions.**

MANAGEMENT DISCUSSION AND ANALYSIS

(1) Macroeconomic Conditions and Electricity Demand

According to relevant information and statistics, the gross domestic product ("GDP") of the PRC in 2011 amounted to RMB47,156.4 billion, representing an increase of 9.2% over 2010. Power consumption of the whole society totalled 4,692.8 million MWh, representing an increase of 11.74% over 2010, of which the consumption of the primary, secondary and tertiary industries accounted for 101.5 million MWh, 3,518.5 million MWh and 508.2 million MWh, respectively, representing a year-on-year increase of 3.9%, 11.9% and 13.5%, respectively.

Currently, the Group's power generating units already in operation are located in Shandong, Sichuan, Ningxia, Anhui, Henan, Hebei, Zhejiang, Inner Mongolia, and Guangdong Provinces/Autonomous Regions, where the local economies grew rapidly and the local GDP maintained admirable growth momentum in recent years. Based on comparable prices, the GDP growth rates of Shandong, Sichuan, Ningxia, Anhui, Henan, Hebei, Inner Mongolia and Guangdong Provinces/Autonomous Regions in 2011 reached 10.9%, 10.1%, 13%, 10.9%, 11.5%, 12.6%, 13.7% and 12.8%, respectively. Their GDP growth rates outperformed the national average by 1.7, 0.9, 3.8, 1.7, 2.3, 3.4, 4.5 and 3.6 percentage points, respectively; only the GDP growth rate of Zhejiang was slightly lower than the national average, standing at 8.9%.

(2) Turnover

In 2011, the Group strengthened the management, actively strove for planned output and optimised scheduling and achieved a considerable increase in power generation. The total on-grid power sold by the Group for the year was 140.84 million MWh, representing an increase of approximately 16.11% over 2010. Turnover for the year amounted to RMB54,178 million, representing an increase of approximately 19.87% over 2010. The increase in turnover was mainly due to the growth in volume of power sold, higher on-grid tariffs, increase in sales of heat, and sales of coal.

(3) Major Operating Expenses

In 2011, the operating expenses of the Group amounted to RMB51,023 million, representing an increase of approximately 17.37% over 2010. This was mainly attributable to more power generation and higher coal prices and commencement of operation of new generating units.

The principal contribution to the operating expenses of the Group was fuel costs, which amounted to RMB38,871 million in 2011, accounting for approximately 76.18% of the Group's operating expenses and representing an increase of approximately 17.94% over 2010. This was mainly due to the combined effects of more power generation and higher coal prices.

Depreciation and amortisation expenses of the Group amounted to RMB5,574 million in 2011, representing an increase of approximately 19.17% over 2010. This was mainly due to the increase in depreciation expenses arising from the newly acquired enterprises and the commencement of operation of new generating units.

Personnel costs of the Group amounted to RMB2,460 million in 2011, representing an increase of approximately 26.25% over 2010, mainly due to the increase in staffing of newly acquired enterprises and new generating units being put into operation, as well as the increase in employee remuneration.

Administration expenses of the Group amounted to RMB1,304 million in 2011, representing an increase of approximately 10.61% over 2010, mainly due to the increase in administration expenses arising from the newly acquired enterprises and the commencement of operation of new generating units.

(4) Investment Income

Investment income of the Group amounted to RMB725 million in 2011, representing an increase of approximately RMB220 million over 2010, which was mainly attributable to a recognised gain of approximately RMB568 million on equity dilution of Huadian Coal Industry, and a gain of approximately RMB102 million on disposal of the 40% equity interest in Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company") by the Group.

(5) Share of Profit of associates

In 2011, profit of associates attributable to the Group amounted to RMB557 million, representing an increase of approximately 72.52% over 2010, mainly due to increased income from associates.

(6) Finance Costs

Finance costs of the Group in 2011 amounted to RMB4,991 million, representing an increase of approximately 50.54% over 2010. This was mainly attributable to the State's adjustments to bank loan rates and the effect of the newly acquired enterprises and the finance costs of new generating units being charged in income statement since the commencement of operation.

(7) Pledge of Assets

As at 31 December 2011, the Company's subsidiaries, including Guang'an Company, Za-gunao Hydroelectric Company, Qingdao Company, Tengzhou Company, Xinxiang Company, Luohe Company, Lingwu Company, Zhongning Company, Wuhu Company, Suzhou Company, Pingshi Power Company, Ningdong Wind Power Company and Yueliangshan Wind Power Company, have altogether pledged their income stream in respect of the sale of electricity, thermal coal inventory or trade receivables for sale of electricity as security for loans amounting to approximately RMB14,392 million. In addition, the 75% equity interest in Pingshi Power Company held by the Company was pledged as security for repayment of the long term payables guaranteed by the Company.

As at 31 December 2011, the generating units, relevant equipment, projects under construction and land use right of Pingshi Power Company and Shuiluohe Company were mortgaged to secure its loans amounting to RMB3,350 million.

(8) Indebtedness

As at 31 December 2011, the total borrowings of the Group amounted to approximately RMB97,043 million, of which borrowings denominated in US dollars and Euro amounted to approximately US$220 million and approximately EUR24 million. The liabilities to assets ratio was 84.03%, approximately 1.04 percentage points higher than that in 2010. Borrowings of the Group were mainly of floating rates. Short-term borrowings and long-term borrowings due within one year amounted to approximately RMB35,308 million, and long-term borrowings due after one year amounted to approximately RMB61,735 million. In addition, the closing balance of short-term debenture payables and medium-term notes payable due within one year of the Group amounted to approximately RMB3,551 million and RMB1,499 million, respectively, and the medium-term notes payables due after one year amounted to approximately RMB3,864 million.

(9) Contingent Liabilities

As at 31 December 2011, Guang'an Company, a subsidiary of the Company, provided guarantees to banks for loans amounting to approximately RMB164 million to Longtan Company, an associate of Guang'an Company. Zhongning Company provided guarantees to banks for loans amounting to RMB26.80 million to Ningxia Power Generation Company (Group) Limited, an associate of the Company. Save as disclosed above, the Group had no other material contingent liabilities.

(10) Cash and Cash Equivalents

As at 31 December 2011, the Group had cash and cash equivalents of approximately RMB2,112 million.

(11) Cash Flow Analysis

In 2011, the net increase of cash and cash equivalents of the Group amounted to approximately RMB876 million. In particular, the net cash inflow from operating activities amounted to approximately RMB1,063 million, decreased by approximately RMB1,018 million from 2010, mainly due to higher interest expenses of the Group in 2011 than last year; the net cash outflow used in investing activities amounted to approximately RMB13,135 million, decreased by approximately RMB5,902 million from 2010, mainly due to the decrease in projects under construction and external investment of the Group in 2011 as compared to 2010; the net cash inflow from financing activities amounted to approximately RMB12,948 million, decreased by approximately RMB4,002 million from 2010, mainly due to decrease in debt financing by the Group in 2010.

(12) Two Rounds of On-grid Tariff Increase

In a bid to compensate for some of the costs borne by coal-fired power generation enterprises arising from higher coal-fired electricity prices, duly ease on-grid tariff conflicts, and alleviate the operational difficulties of power generation enterprises, the NDRC has twice raised the on-grid tariff of power generation enterprises in 2011 to ensure normal and reasonable power supply, support the development of renewable energy, and promote energy conservation and omission reduction. The capacity weighted average on-grid tariff of the Company's generating units would be increased by approximately RMB1.71 cents/KWh (after the first tariff adjustment) and by approximately RMB2.68 cents/KWh (after the second tariff adjustment) respectively.

(13) Proposed Non-public Issuance of A Shares

Pursuant to the issuance plan, the Company will issue a maximum of 600,000,000 new A Shares for subscription by not more than 10 qualified investors (including China Huadian Corporation ("China Huadian")) at a subscription price of not less than RMB3.00 (approximately HK$3.68) per A Share and not lower than 90% of the average trading price of the A Shares of the Company for the 20 trading days prior to the Price Determination Reference Date. The proposed proceeds to be raised shall be not more than RMB1,900 million, which is intended to be used for the projects of Laizhou Company, Huadian Laizhou Port Company Limited and Hebei Fengyuan Industrial Company Limited. The application for such non-public issuance of A Shares was approved by the Public Offering Review Committee of the China Securities Regulatory Commission on 3 February 2012.

For details, please refer to the Company's announcements dated 20 May 2011 and 22 November 2011 and the circular dated 12 December 2011.

(14) Acquisition of Coal Mining Assets

On 22 April 2011, the Group entered into the Equity Transfer Agreement with Anhui Yalimeng Power New Material Co., Ltd. and Anhui Guohua New Material Co., Ltd. to purchase the 51% equity interest jointly held by them in Wenhui Company. On 14 September 2011, the Group entered into the Haoyuan Company Equity Transfer Agreement with Li Junzhi and Gao Mei to purchase the 85% equity interest jointly held by them in Haoyuan Company. On 6 September 2011, the Group entered into the Equity Transfer Agreement with Zhao Feng and Hong Yan to purchase the 100% equity interest jointly held by them in Shunge Company. As at the date of this announcement, transfer of the equity interests in respect of the aforesaid three coal mining companies has been completed; the Group paid approximately RMB1.65 billion in aggregate for an increase of about 144 million tonnes of controlled coal resources.

SHAREHOLDINGS OF SUBSTANTIAL SHAREHOLDERS

So far as the Directors of the Company are aware, each of the following persons, not being a Director, supervisor, chief executive or members of the senior management of the Company, had an interest or short position as at 31 December 2011 in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO"), or was otherwise interested in 5% or more of any class of issued share capital of the Company as at 31 December 2011, or was a substantial shareholder of the Company as at 31 December 2011 (as defined by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"):

			Equity as at 31 December 2011		
Name of shareholder	**Class of share**	**Number of shares held**	**Approximate percentage of the total number of shares of the Company in issue**	**Approximate percentage of the total number of A shares of the Company in issue**	**Approximate percentage of the total number of H shares of the Company in issue**
China Huadian	A Shares	3,111,061,853	45.95%	58.26%	—
	H Shares	85,862,000(L) *(Note 1)*	1.27%	—	6.00%
Shandong International Trust Corporation	A Shares	800,766,729	11.83%	15.00%	—

The letter "L" denotes a long position.

Note:

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

Details relating to interests, as at 31 December 2011, of the Company's Directors, supervisors, chief executives, members of senior management and other shareholders of the Company having interests or short positions which would fall to be disclosed to the Company and The Stock Exchange of Hong Kong Limited pursuant to the relevant requirements under the SFO (and as recorded in the register required to be kept under section 336 of the SFO) will be set out in the Company's 2011 Annual Report in accordance with the relevant disclosure requirements under the Hong Kong Listing Rules.

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

1. Articles of Association;

2. Code on Shareholders' Meetings, Code on Board Practices and Code on Supervisory Committee (as parts of the current Articles of Association of the Company);

3. Working procedures for Audit Committee, Remuneration and Appraisal Committee and Strategic Committee of the Board of the Company;

4. Working Requirements for Independent Directors;

5. Working Requirements for Secretary to the Board;

6. Working Rules for General Manager;

7. Code on the Company's Investment Projects;

8. Management Methods on Raised Proceeds;

9. Management Methods on External Guarantees;

10. Management Rules on Information Disclosure;

11. Management Rules on Investor Relations and Implementation Procedures;

12. Code on Trading in Securities of the Company by Directors (Supervisors) of the Company;

13. Code on Trading in Securities of the Company by Employees of the Company;

14. Management Methods for Affairs of the Board of Directors;

15. Working Rules on Annual Report for the Audit Committee of the Board;

16. Working Rules on Annual Report for Independent Directors;

17. Management Methods on Connected Transactions; and

18. Insider Registration and Management Methods.

The Board is committed to the principles of corporate governance consistent with prudent management and enhancement of shareholders' value. Transparency, accountability and independence are enshrined under these principles.

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

— The Company has formulated the Code on Trading in Securities of Huadian Power International Corporation Limited* by Directors (Supervisors) and the Code on Trading in Securities of Huadian Power International Corporation Limited* by Employees, which are on terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Companies, as set out in Appendix 10 to the Hong Kong Listing Rules.

- In addition to the Audit Committee and the Remuneration and Appraisal Committee, the Company has established the Strategic Committee and stipulated the Working Procedures for the Strategic Committee.

- In the financial year of 2011, a total of 11 Board meetings were held by the Company.

- The Audit Committee comprises five members, including two non-executive Directors and three independent non-executive Directors.

DESIGNATED DEPOSITS AND OVERDUE TIME DEPOSITS

As at 31 December 2011, the Group's deposits placed with financial institutions or other parties did not include any designated or trust deposits, or any material time deposits which could not be collected by the Group upon maturity.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the financial year of 2011, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of its issued listed securities ("securities" having the meaning as ascribed thereto under paragraph 1 of Appendix 16 to the Hong Kong Listing Rules).

AUDIT COMMITTEE

The Company's Audit Committee has reviewed the annual results of the Company for 2011 and the financial statements prepared under IFRSs for the year ended 31 December 2011.

MATERIAL LITIGATION

During the financial year of 2011, the Group was not involved in any material litigation or arbitration. Furthermore, so far as the Directors of the Company are aware, no material litigation or claims were pending or threatened or made against the Group. As at 31 December 2011, the Group was a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that any possible legal liability which may be incurred from the aforesaid cases will not have material adverse effect on the financial position and operating results of the Group.

By order of the Board
Huadian Power International Corporation Limited*
Yun Gongmin
Chairman

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

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

Beijing, the PRC
28 March 2012

* *For identification purposes only*

I. SUMMARY OF FINANCIAL INFORMATION IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER IFRSs

The consolidated financial information set out below is extracted from the audited consolidated financial statements prepared under IFRSs of the Group as set out in its 2011 annual report.

Consolidated statement of comprehensive income
For the year ended 31 December 2011
(Expressed in Renminbi)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Turnover	4	**54,178,060**	45,197,500
Operating expenses			
Fuel costs		**(38,871,497)**	(32,959,462)
Depreciation and amortisation		**(5,573,665)**	(4,676,922)
Major overhaul expenses		**(618,850)**	(511,183)
Repairs and maintenance		**(705,211)**	(640,271)
Personnel costs	5	**(2,460,050)**	(1,948,501)
Administration expenses		**(1,303,725)**	(1,178,647)
Sales related taxes	6	**(198,330)**	(179,340)
Other operating expenses		**(1,291,416)**	(1,377,116)
		(51,022,744)	(43,471,442)
Operating profit carried forward		**3,155,316**	1,726,058

Consolidated statement of comprehensive income (continued)

For the year ended 31 December 2011

(Expressed in Renminbi)

	Note	**2011** **RMB'000**	2010 *RMB'000*
Operating profit brought forward		**3,155,316**	1,726,058
Investment income	7	**724,914**	504,951
Other revenue and net income	8	**653,150**	932,071
Finance income		**65,680**	26,532
Finance costs	9	**(4,990,939)**	(3,315,421)
Share of profits less losses of associates		**556,872**	322,792
Share of profit of a jointly controlled entity		**—**	5,438
Profit before taxation	10	**164,993**	202,421
Income tax	11	**(29,919)**	(116,536)
Profit for the year carried forward		**135,074**	85,885

Consolidated statement of comprehensive income (continued)

For the year ended 31 December 2011

(Expressed in Renminbi)

	Note	**2011** *RMB'000*	2010 *RMB'000*
Profit for the year brought forward		**135,074**	85,885
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Available-for-sale securities: net movement in fair value reserve		**(8,112)**	(16,725)
Total comprehensive income for the year		**126,962**	69,160
Profit attributable to:			
Equity shareholders of the Company		**73,814**	169,897
Non-controlling interests		**61,260**	(84,012)
Profit for the year		**135,074**	85,885
Total comprehensive income attributable to:			
Equity shareholders of the Company		**65,822**	153,249
Non-controlling interests		**61,140**	(84,089)
Total comprehensive income for the year		**126,962**	69,160
Basic and diluted earnings per share	13	**RMB 0.011**	RMB 0.025

Consolidated balance sheet

As at 31 December 2011

(Expressed in Renminbi)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**96,349,034**	79,401,144
Construction in progress		**19,184,853**	23,146,683
Lease prepayments		**1,767,175**	1,447,561
Intangible assets		**6,000,786**	4,764,132
Interests in associates		**10,445,042**	9,041,315
Interest in a jointly controlled entity		**—**	227,237
Other investments		**337,523**	304,282
Other non-current assets		**1,557,536**	339,203
Deferred tax assets		**415,090**	285,109
		136,057,039	118,956,666
Current assets			
Inventories		**2,777,508**	1,760,239
Trade debtors and bills receivable	14	**5,241,261**	3,980,674
Deposits, other receivables and prepayments		**2,466,111**	2,531,283
Tax recoverable		**42,673**	66,101
Restricted deposits		**362,535**	30,678
Cash and cash equivalents		**2,111,725**	1,235,758
		13,001,813	9,604,733

Consolidated balance sheet (continued)
As at 31 December 2011
(Expressed in Renminbi)

	Note	**2011**	2010
		RMB'000	*RMB'000*
Current liabilities			
Bank loans		**28,895,130**	23,266,864
Loans from shareholders		**969,390**	2,000,000
State loans		**16,140**	13,401
Other loans		**5,427,823**	6,284,470
Short-term debenture payables		**3,551,384**	3,008,983
Amounts due to the parent company		**83,145**	79,165
Obligations under finance lease	15	**143,119**	—
Trade creditors and bills payable	16	**6,683,683**	7,739,963
Other payables		**8,107,792**	4,203,566
Tax payable		**126,072**	63,815
		54,003,678	46,660,227
Net current liabilities		**(41,001,865)**	(37,055,494)
Total assets less current liabilities carried forward		**95,055,174**	81,901,172

Consolidated balance sheet (continued)
As at 31 December 2011
(Expressed in Renminbi)

	Note	**2011** *RMB'000*	2010 *RMB'000*
Total assets less current liabilities brought forward		**95,055,174**	81,901,172
Non-current liabilities			
Bank loans		**50,705,010**	43,915,573
Loans from shareholders		**2,271,006**	1,371,375
State loans		**87,239**	103,699
Other loans		**8,671,216**	4,769,347
Medium-term notes		**3,863,579**	5,346,441
Obligations under finance lease	15	**487,178**	—
Long-term payables		**737,123**	1,234,710
Deferred government grants		**752,389**	650,991
Deferred income		**1,190,240**	577,866
Deferred tax liabilities		**2,490,157**	2,068,349
		71,255,137	60,038,351
NET ASSETS		**23,800,037**	21,862,821
CAPITAL AND RESERVES			
Share capital		**6,771,084**	6,771,084
Reserves		**9,513,989**	9,404,887
Total equity attributable to equity shareholders of the Company		**16,285,073**	16,175,971
Non-controlling interests		**7,514,964**	5,686,850
TOTAL EQUITY		**23,800,037**	21,862,821

Notes to the financial statements

1 Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Group and its interest in associates.

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

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

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

2 Changes in accounting policies

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

- IAS 24 (revised), *Related party disclosure*

- Improvements to IFRSs (2010)

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

2 Changes in accounting policies (continued)

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

Improvements to IFRSs (2010) omnibus standard introduce a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.

3 Segment reporting

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

4 Turnover

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

	2011	2010
	RMB'000	*RMB'000*
Sale of electricity	**51,125,461**	43,529,734
Sale of heat	**2,697,878**	1,667,766
Sale of coal	**354,721**	—
	54,178,060	45,197,500

5 Personnel costs

	2011	2010
	RMB'000	*RMB'000*
Wages, welfare and other benefits	**1,623,198**	1,240,962
Retirement costs	**364,094**	298,333
Other staff costs	**472,758**	409,206
	2,460,050	1,948,501

6 Sales related taxes

Sales related taxes represent city maintenance and construction tax and education surcharge, which are calculated at 1-7% and 3-5% (2010: 1-7% and 3-5%), respectively, of net VAT payable.

7 Investment income

	2011	2010
	RMB'000	*RMB'000*
Gain on disposal of associates (note (i))	**102,400**	449,807
Gain on dilution of associates (note (ii))	**568,870**	—
Gain on step acquisition (note 17)	**13,011**	59,029
Loss from disposal of unlisted securities	**—**	(5,563)
Dividend income from listed securities	**143**	1,340
Dividend income from other investments	**40,490**	—
Available-for-sale securities: reclassified from equity on disposal (note 12)	**—**	338
	724,914	504,951

7 Investment income (continued)

Notes:

(i) Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company") was an associate of the Company and the Company held 40% equity interest in Chizhou Company. In 2011, the Company disposed of all of its interest in Chizhou Company to a third party with the consideration of RMB 102,400,000. At the date of the disposal, the carrying value of the interest in Chizhou Company was RMB Nil.

(ii) Huadian Coal Industry Group Company Limited ("Huadian Coal") is an associate of the Group and the Group effectively held 17.94% equity interest in Huadian Coal. In 2011, three strategic investors participated in the capital enlargement of Huadian Coal with total capital injection of RMB 6,000,000,000. As a result of the capital injection, the Group's effective equity interest in Huadian Coal has been diluted to 12.56% and a gain on the dilution of RMB 567,896,000 has been recognised.

Huadian Property Company Limited ("Huadian Property") is an associate of the Company and the Company effectively held 20% equity interest in Huadian Property. In 2011, the Company did not participated in the capital enlargement of Huadian Property, and capital injection from this enlargement amounted to RMB 300,000,000. As a result of the capital injection, the Group's effective equity interest in Huadian Property has been diluted to 16.57% and a gain on the dilution of RMB 974,000 has been recognised.

8 Other revenue and net income

	2011	2010
	RMB'000	*RMB'000*
Gain from bargain purchase	**—**	621,196
Government grants	**340,758**	140,137
CERs net income	**103,867**	28,728
(Loss)/gain on disposal of property, plant and equipment	**(393)**	46,205
Revenue from sale of materials	**92,800**	55,065
Revenue from upfront connection and installation fees	**50,169**	9,613
Other net income from service concession arrangement (note)	**—**	—
Others	**65,949**	31,127
	653,150	932,071

Note:

For the service concession arrangement of the Group, substantially all construction activities are sub-contracted. Therefore, when the Group recognises construction revenue, the same amount of cost is recorded in other net income. As a result, net income from construction services under service concession arrangements for the year ended 31 December 2011 and 2010 was RMB Nil.

9 Finance costs

	2011	2010
	RMB'000	*RMB'000*
Interest on loans and other financial liabilities wholly repayable within five years	**3,886,532**	2,469,181
Interest on loans and other financial liabilities repayable after five years	**2,089,771**	1,660,729
Less: interest capitalised	**(878,022)**	(732,612)
	5,098,281	3,397,298
Net foreign exchange gain	**(120,095)**	(86,214)
Other finance costs	**12,753**	4,337
	4,990,939	3,315,421

The interest costs have been capitalised at an average rate of 5.93% per annum (2010: 5.25%) for construction in progress.

10 Profit before taxation

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

	2011	2010
	RMB'000	*RMB'000*
Amortisation		
— lease prepayments	**58,795**	47,556
— intangible assets	**144,354**	89,688
Auditors' remuneration	**12,000**	9,900
Cost of inventories	**40,279,765**	34,169,926
Depreciation	**5,370,516**	4,539,678
Reversal of impairment losses on trade and other receivables	**(12,792)**	(14,356)
Reversal of stock obsolescence	**(233)**	(183)
Operating lease charges in respect of land and buildings	**95,396**	93,153
Research and development costs	**12,505**	7,521

11 Income tax in the consolidated statement of comprehensive income

	2011	2010
	RMB'000	*RMB'000*
Current tax		
Charge for PRC enterprise income tax for the year	**166,406**	137,734
(Over)/under-provision in respect of previous years	**(457)**	477
	165,949	138,211
Deferred tax		
Origination and reversal of temporary differences	**(136,030)**	(21,675)
Total income tax expense in the consolidated statement of comprehensive income	**29,919**	116,536

Note:

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

12 Other comprehensive income

	2011	2010
	RMB'000	*RMB'000*
Available-for-sale securities:		
Changes in fair value recognised for the year	**(8,962)**	(21,126)
Reclassification adjustments for amounts transferred to profit or loss:		
— gain on disposal	**—**	(338)
— share of an associate's gains on disposal	**—**	(545)
— disposal of an associate	**—**	(562)
Net deferred tax credited to other comprehensive income	**850**	5,846
Net movement in the fair value reserve recognised for the year in other comprehensive income	**(8,112)**	(16,725)

13 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 2011 of RMB 73,814,000 (2010: RMB 169,897,000) and the weighted average of 6,771,084,200 (2010: 6,771,084,200) ordinary shares in issue during the year ended 31 December 2011.

(b) Diluted earnings per share

There were no dilutive potential ordinary shares in existence during the years ended 31 December 2011 and 2010.

14 Trade debtors and bills receivable

	2011	2010
	RMB'000	*RMB'000*
Trade debtors and bills receivable for the sale of electricity	**4,931,608**	3,752,420
Trade debtors and bills receivable for the sale of heat	**248,075**	234,386
Trade debtors and bills receivable for other operations	**68,328**	13,778
	5,248,011	4,000,584
Less: allowance for doubtful debts	**(6,750)**	(19,910)
	5,241,261	3,980,674

As at 31 December 2011, the Group's commercial acceptance bills totalling of RMB 7,000,000 have been endorsed, all of which are due before the end of March 2012.

14 Trade debtors and bills receivable (continued)

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

	2011	2010
	RMB'000	*RMB'000*
Current	**4,929,209**	3,807,966
Less than 1 year past due	**207,581**	165,642
1 to 2 years past due	**100,119**	2,493
More than 3 years past due	**4,352**	4,573
Amount past due	**312,052**	172,708
	5,241,261	3,980,674

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

15 Obligations under finance leases

The Group had obligations under finance leases repayable as follows:

	At 31 December 2011	
	Present value of the minimum lease payments *RMB'000*	**Total minimum lease payments** *RMB'000*
Within 1 year	**143,119**	**149,306**
After 1 year but within 2 years	**146,174**	**162,360**
After 2 years but within 5 years	**341,004**	**429,388**
	487,178	**591,748**
	630,297	**741,054**
Less: total future interest expenses		**(110,757)**
Present value of finance lease obligations		**630,297**

In 2011, the Group entered into three agreements with different leasing companies to sell certain of the Group's facilities to these leasing companies and leaseback the facilities for a 3-year to 5-year period. The Group has the option to purchase the facilities at a nominal price of RMB 1 at the end of the lease period. As at 31 December 2011, the net book value of the facilities held under finance lease included in property, plant and equipment and intangible assets amounted to RMB 399,184,000 and RMB315,927,000, respectively.

16 Trade creditors and bills payable

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

17 Acquisition of control over a jointly controlled entity

Ningxia Zhonging Power Generation Company Limited ("Zhongning Power"), in which the Company has 50% equity interest, was a jointly controlled entity of the Company. Pursuant to the cooperation agreement entered into between the Company and Ningxia Power Generation Company (Group) Limited ("Ningxia Power Company"), the joint venturer of Zhongning Power, the financial and operating policies of Zhongning Power are governed by the Company from 1 January 2011 (the "acquisition date"). Management of the Company believes that the Company could control Zhongning Power for a sufficient period of time so as to obtain benefits from Zhongning Power's activities and hence Zhongning Power became a subsidiary of the Company since the acquisition date.

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

Consideration transferred

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

Identifiable assets acquired and liabilities assumed

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

17 Acquisition of control over a jointly controlled entity (continued)

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

Goodwill

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

The remeasuement to fair value of the Group's existing 50% interest in Zhongning Power resulted in a gain of RMB13,011,000 (RMB240,248,000 less RMB227,237,000 carrying value of the interest in Zhongning Power at acquisition date), which has been recognised in investment income (note 7) in the consolidated statement of comprehensive income.

Acquisition-related costs

The Group incurred acquisition-related costs of RMB 700,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

17 Acquisition of control over a jointly controlled entity (continued)

Net inflow of cash and cash equivalents in respect of the acquisition of control over a jointly controlled entity

	RMB'000
Consideration of acquisition	—
Consideration payable as at the acquisition date	—
Cash and cash equivalents held by Zhongning Company	29,791
Acquisition-related fee paid	(700)
Net inflow of cash and cash equivalents in respect of acquisition	29,091

18 Acquisition of subsidiaries

(a) Acquisition of Anhui Wenhui New Products Promotion Company Limited and its subsidiary

On 27 May 2011, the Company obtained control of Anhui Wenhui New Products Promotion Company Limited ("Wenhui Company") and its subsidiary by acquiring 51% of the equity and voting interests at a total consideration of RMB 283,315,000. On the date of acquisition, Wenhui Company and its subsidiary were still under construction period and did not carry out any business operation, therefore, the portfolios of the assets and liabilities acquired from the above acquisitions did not contain any process, which is a key element of a business, and were accounted for as an assets acquisition rather than a business combination. Consequently, the cost of acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the acquisition date.

18 Acquisition of subsidiaries (continued)

(a) Acquisition of Anhui Wenhui New Products Promotion Company Limited and its subsidiary (continued)

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

	RMB'000
Trade debtors and other receivables	8,778
Property, plant and equipment	567,420
Cash and cash equivalents	108,298
Trade creditors and other payables	(128,977)
	555,519
Attributable to:	
Equity shareholders of the Company	283,315
Non-controlling interests	272,204
	555,519

Acquisition-related costs

The Group incurred acquisition-related costs of RMB 330,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

18 Acquisition of subsidiaries (continued)

(b) Acquisition of Inner Mongolia Alxa League Shunge Mining Industry Company Limited

On 6 September 2011, the Company obtained control of Inner Mongolia Alxa League Shunge Mining Industry Company Limited ("Shunge Company"), which is principally engaged in the coal mine improvement in Inner Mongolia Autonomous Region in the PRC, by acquiring 100% of the equity and voting interests in Shunge Company. On the date of acquisition, Shunge Company was still under construction period.

Consideration transferred

The fair value of the total consideration transferred on acquisition-date was RMB 672,078,431.

Identifiable assets acquired and liabilities assumed

	RMB'000
Trade debtors and other receivables	2,670
Inventories	996
Property, plant and equipment and construction in progress	831,212
Lease prepayments	4,844
Cash and cash equivalents	665
Trade creditors and other payables	(16,635)
Deferred tax liabilities	(151,674)
Total identifiable net assets	672,078

18 Acquisition of subsidiaries (continued)

(b) Acquisition of Inner Mongolia Alxa League Shunge Mining Industry Company Limited (continued)

Goodwill

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

	RMB'000
Total consideration transferred	672,078
Fair value of identifiable net assets	(672,078)
Goodwill	—

Acquisition-related costs

The Group incurred acquisition-related costs of RMB 820,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

(c) Acquisition of Inner Mongolia Haoyuan Coal Company Limited

On 30 September 2011, the Company obtained control of Inner Mongolia Haoyuan Coal Company Limited ("Haoyuan Company"), which is principally engaged in the production and sale of coal in Inner Mongolia Autonomous Region in the PRC, by acquiring 85% of the equity and voting interests in Haoyuan Company.

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

18 Acquisition of subsidiaries (continued)

(c) Acquisition of Inner Mongolia Haoyuan Coal Company Limited (continued)

In the period from 30 September 2011 to 31 December 2011, Haoyuan Company contributed turnover of RMB 54,475,000 and profit of RMB 25,730,000 to the Group's results. If the acquisition had occurred on 1 January 2011, management estimates that consolidated turnover for the year of the Group would have been RMB 54,275,742,000 and consolidated profit for the year of the Group would have been RMB 137,467,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2011.

Consideration transferred

The fair value of the total consideration transferred on acquisition-date was RMB 691,777,380, which was satisfied fully by cash.

Identifiable assets acquired and liabilities assumed

	RMB'000
Trade debtors and other receivables	7,645
Property, plant and equipment and construction in progress	1,229,281
Lease prepayments	11,284
Cash and cash equivalents	84,863
Trade creditors and other payables	(300,192)
Deferred tax liabilities	(219,026)
Total identifiable net assets	813,855

18 Acquisition of subsidiaries (continued)

(c) Acquisition of Inner Mongolia Haoyuan Coal Company Limited (continued)

Goodwill

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

	RMB'000
Total consideration transferred	691,777
Non-controlling interests, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	122,078
Fair value of identifiable net assets	(813,855)
Goodwill	—

Acquisition-related costs

The Group incurred acquisition-related costs of RMB 830,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

18 Acquisition of subsidiaries (continued)

(d) Acquisition of Sichuan Huoxing Investment Company Limited, Sichuan Xiexing Investment Company Limited and Sichuan Liangshan Shuiluohe Hydropower Development Company Limited

On 30 September 2011, the Company obtained control of Sichuan Huoxing Investment Company Limited ("Huoxing Company") and Sichuan Xiexing Investment Company Limited ("Xiexing Company"), which are principally engaged in the power industry investment in Sichuan Province in the PRC, by acquiring 100% of the equity and voting interests in Huoxing Company and Xiexing Company. Huoxing Company and Xiexing Company have together invested in 7 hydropower enterprises, with a controlling interest in Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("Shuiluohe Company") and non-controlling interests in the other six enterprises. Upon completion of the acquisition, the Company will hold 100% equity interests in Huoxing Company and Xiexing Company, and thus indirectly obtained the control of Shuiluohe Company. As the above arrangements were entered into at the same time and in contemplation of each other, the acquisitions of Huoxing Company, Xiexing Company and Shuiluohe Company were accounted for as a single transaction. As at the acquisition date, most hydropower projects of Shuiluohe Company were still under preliminary status, therefore, the portfolio of the assets and liabilities acquired from the above acquisitions did not contain any process, which is a key element of a business, and were accounted for as an assets acquisition rather than a business combinations. Consequently, the cost of acquisition is allocated between the individual identifiable assets and liabilities based on their relative fair values at the acquisition date.

Consideration transferred

The fair value of the total consideration transferred on the acquisition-date was RMB 1,690,000,000.

18 Acquisition of subsidiaries (continued)

(d) Acquisition of Sichuan Huoxing Investment Company Limited, Sichuan Xiexing Investment Company Limited and Sichuan Liangshan Shuiluohe Hydropower Development Company Limited (continued)

Identifiable assets acquired and liabilities assumed

	RMB'000
Trade debtors and other receivables	111,565
Other investments	427,530
Property, plant and equipment and construction in progress	2,070,085
Intangible assets	1,382,967
Restricted deposits	64,000
Cash and cash equivalents	359,281
Bank loans	(1,447,056)
Trade creditors and other payables	(318,136)
Total identifiable net assets	2,650,236
Attributable to:	
Equity shareholders of the Company	1,690,000
Non-controlling interests	960,236
	2,650,236

Acquisition-related costs

The Group incurred acquisition-related costs of RMB 2,488,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

18 Acquisition of subsidiaries (continued)

(e) Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries

	RMB'000
Consideration of acquisition	3,337,170
Consideration payable as at the acquisition date	(1,306,601)
Cash and cash equivalents held by subsidiaries	(553,107)
Acquisition-related fee paid	4,388
Net outflow of cash and cash equivalents in respect of acquisition	1,481,850

19 Contingent liabilities

At 31 December 2011, the Company provided guarantees to banks for loans granted to certain subsidiaries amounting to RMB 2,183,238,000 (2010: RMB 1,495,200,000). Sichuan Guang'an Power Generation Company Limited, a subsidiary of the Group, provided guarantees to banks for loans granted to Sichuan Huayingshan Longtan Coal Company Limited amounting to RMB 163,757,000 (2010: RMB 175,457,000); Zhongning Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Ningxia Power Company amounting to RMB 26,800,000 (2010: RMB Nil).

2. SUMMARY OF FINANCIAL INFORMATION IN CONSOLIDATED FINANCIAL STATEMENTS PREPARED UNDER CHINA ACCOUNTING STANDARDS FOR BUSINESS ENTERPRISES ("CAS")

The consolidated financial information set out below is extracted from the audited consolidated financial statements prepared under CAS of the Group as set out in its 2011 annual report.

Consolidated balance sheet
As at 31 December 2011
(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Current assets		
Cash at bank and on hand	**2,474,260**	1,266,436
Bills receivable	**315,651**	118,623
Trade receivables	**4,925,610**	3,862,051
Prepayments	**965,267**	859,688
Other receivables	**777,655**	600,709
Inventories	**2,777,508**	1,760,239
Dividends receivable	**—**	—
Other current assets	**765,862**	1,136,987
Total current assets	**13,001,813**	9,604,733

Consolidated balance sheet (continued)

As at 31 December 2011

(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Non-current assets		
Available-for-sale financial assets	**39,506**	42,906
Long-term receivables	**176,365**	68,393
Long-term equity investments	**10,726,075**	9,512,944
Fixed assets	**89,251,907**	74,557,721
Construction in progress	**13,992,610**	14,609,301
Construction materials	**160,856**	879,631
Construction and construction material prepayments	**5,126,817**	7,657,751
Intangible assets	**13,287,396**	9,543,341
Goodwill	**790,157**	790,552
Deferred tax assets	**444,484**	322,269
Other non-current assets	**1,381,171**	270,810
Total non-current assets	**135,377,344**	118,255,619
Total assets	**148,379,157**	127,860,352

Consolidated balance sheet (continued)
As at 31 December 2011
(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Current liabilities		
Short-term loans	**26,719,139**	24,299,330
Bills payable	**1,265,832**	2,208,011
Trade payables	**5,417,851**	5,531,952
Receipt in advance	**791,135**	569,327
Wages payable	**110,055**	130,193
Taxes payable	**446,467**	270,335
Interests payable	**421,332**	293,739
Dividends payable	**11,744**	7,664
Other payables	**4,905,762**	2,931,861
Short-term debenture payables	**3,551,384**	3,008,983
Non-current liabilities due within one year	**10,362,977**	7,408,832
Total current liabilities	**54,003,678**	46,660,227
Non-current liabilities		
Long-term loans	**61,734,471**	50,159,994
Debentures payable	**3,863,579**	5,346,441
Long-term payables	**1,224,301**	1,234,710
Special payables	**6,500**	8,020
Deferred tax liabilities	**2,376,916**	1,960,728
Other non-current liabilities	**1,523,562**	903,034
Total non-current liabilities	**70,729,329**	59,612,927
Total liabilities	**124,733,007**	106,273,154

Consolidated balance sheet (continued)

As at 31 December 2011

(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Shareholders' equity		
Share capital	**6,771,084**	6,771,084
Capital reserve	**4,607,401**	4,512,428
Special reserve	**3,268**	—
Surplus reserve	**1,547,510**	1,533,554
Retained profits	**3,175,032**	3,109,795
Total equity attributable to equity shareholders of the Company	**16,104,295**	15,926,861
Minority interests	**7,541,855**	5,660,337
Total shareholders' equity	**23,646,150**	21,587,198
Total liabilities and shareholders' equity	**148,379,157**	127,860,352

Consolidated income statement

For the year ended 31 December 2011

(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Operating income	**54,490,807**	45,448,778
Less: Operating costs	**49,464,893**	42,121,006
Sales taxes and surcharges	**209,380**	186,436
Administrative expenses	**1,519,748**	1,324,430
Finance expenses	**4,925,259**	3,288,889
Reversal of impairment	**(13,025)**	(14,539)
Add: Investment income	**1,281,786**	846,211
Including: Income from associates and jointly controlled entity	**556,872**	328,230
Operating loss	**(333,662)**	(611,233)
Add: Non-operating income	**531,000**	853,390
Less: Non-operating expenses	**20,550**	9,428
Including: Losses on disposal of non-current assets	**3,137**	2,549
Total profit	**176,788**	232,729
Less: Income tax	**32,065**	126,517
Net profit carried forward	**144,723**	106,212

Consolidated income statement *(continued)*

For the year ended 31 December 2011

(Expressed in Renminbi)

	2011	2010
	RMB'000	*RMB'000*
Net profit brought forward	**144,723**	106,212
Attributable to:		
Equity shareholders of the Company	**79,193**	207,844
Minority interests	**65,530**	(101,632)
Earnings per share *(RMB)*:		
Basic earnings per share	**0.012**	0.031
Diluted earnings per share	**0.012**	0.031
Add: Other comprehensive income	**(8,112)**	(16,725)
Total comprehensive income	**136,611**	89,487
Attributable to:		
Equity shareholders of the Company	**71,201**	191,196
Minority interests	**65,410**	(101,709)

III. RECONCILIATION OF THE FINANCIAL STATEMENTS PREPARED UNDER CAS AND IFRSs

(a) Effects of major differences between the CAS and IFRSs on net profit are analysed as follows:

	Note	**2011**	2010
		RMB'000	*RMB'000*
Amount under CAS		**144,723**	106,212
Adjustments:			
Business combination involving entities under common control	(i)	**(29,118)**	(42,146)
Government grants	(ii)	**13,478**	11,838
Maintenance and production fund adjustments	(iii)	**3,845**	—
Taxation impact of the adjustments		**2,146**	9,981
		135,074	85,885

(b) Effects of major differences between CAS and IFRSs on net assets are analysed as follows:

	Note	**2011**	2010
		RMB'000	*RMB'000*
Amount under CAS		**23,646,150**	21,587,198
Adjustments:			
Business combination involving entities under common control	(i)	**709,089**	738,207
Government grants	(ii)	**(412,567)**	(317,803)
Taxation impact of the adjustments		**(142,635)**	(144,781)
		23,800,037	21,862,821

III. RECONCILIATION OF THE FINANCIAL STATEMENTS PREPARED UNDER CAS AND IFRSs (continued)

(b) Effects of major differences between CAS and IFRSs on net assets are analysed as follows: (continued)

Notes:

(i) According to the accounting policies adopted in the Group's financial statements prepared under IFRSs, assets and liabilities acquired by the Group during business combination, irrespective of whether such business combination is involving entities under common control or not, are measured at the fair value of identifiable assets and liabilities of the acquiree at the date of acquisition. In preparing the consolidated financial statements, the respective financial statements of subsidiaries are adjusted based on the fair value of individual identifiable assets and liabilities at the date of acquisition. The excess of purchase consideration paid by the Company over its share of fair value of identifiable net assets of the acquired was recognised as goodwill.

In accordance with CAS, assets and liabilities acquired by the Group in business combination involving entities under common control are measured at their carrying value at the date of combination. Consolidated financial statements are prepared based on the financial statements of the Company and subsidiaries. The excess of carrying value of purchase consideration paid by the Company over its share of carrying value of identifiable net assets of the acquiree for business combination involving entities under common control reduces the share premium of capital reserve or retained profits.

In addition, according to CAS, in preparing consolidated financial statements, the opening balances as well as the comparative figures of the financial statements should be adjusted as if the current structure and operations resulting from the acquisitions had been in existence since prior periods in respect of business combination involving entities under common control. Accordingly, the capital reserve was adjusted for its increase in net assets due to business combination.

(ii) According to IFRSs, conditional government grants should be first recorded in long-term liabilities and amortised to profit or loss using the straight line method over the useful lives of the relevant assets after fulfilling the requirements from the government in respect of the construction projects.

According to CAS, government grants related to assets (required to be recorded in capital reserve pursuant to the relevant government notice) are not recognised as deferred income.

III. RECONCILIATION OF THE FINANCIAL STATEMENTS PREPARED UNDER CAS AND IFRSs (continued)

(b) Effects of major differences between CAS and IFRSs on net assets are analysed as follows: (continued)

Notes: (continued)

(iii) Pursuant to the relevant PRC regulations, coal mining companies shall make provisions for production maintenance, production safety and other related expenditures based on coal production volume. Provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding amount to the specific reserve in shareholders' equity. The maintenance and production funds could be utilised when qualifying revenue expenditures or capital expenditures on production maintenance and safety measures are incurred, and the amount of maintenance and production funds utilised would be offset from the specific reserve.

According to IFRSs, provisions for production maintenance, production safety and other related expenditures are recognised as specific reserve through profit appropriation. When qualifying revenue expenditures are incurred, such expenses are recorded in the profit or loss as incurred. When capital expenditures are incurred, an amount is transferred to property, plant and equipment and is depreciated in accordance with the depreciation policy of the Group. Internal equity items transfers take place based on the actual application amount of such expenses whereas specific reserve is offset against retained earnings to the extent of zero.