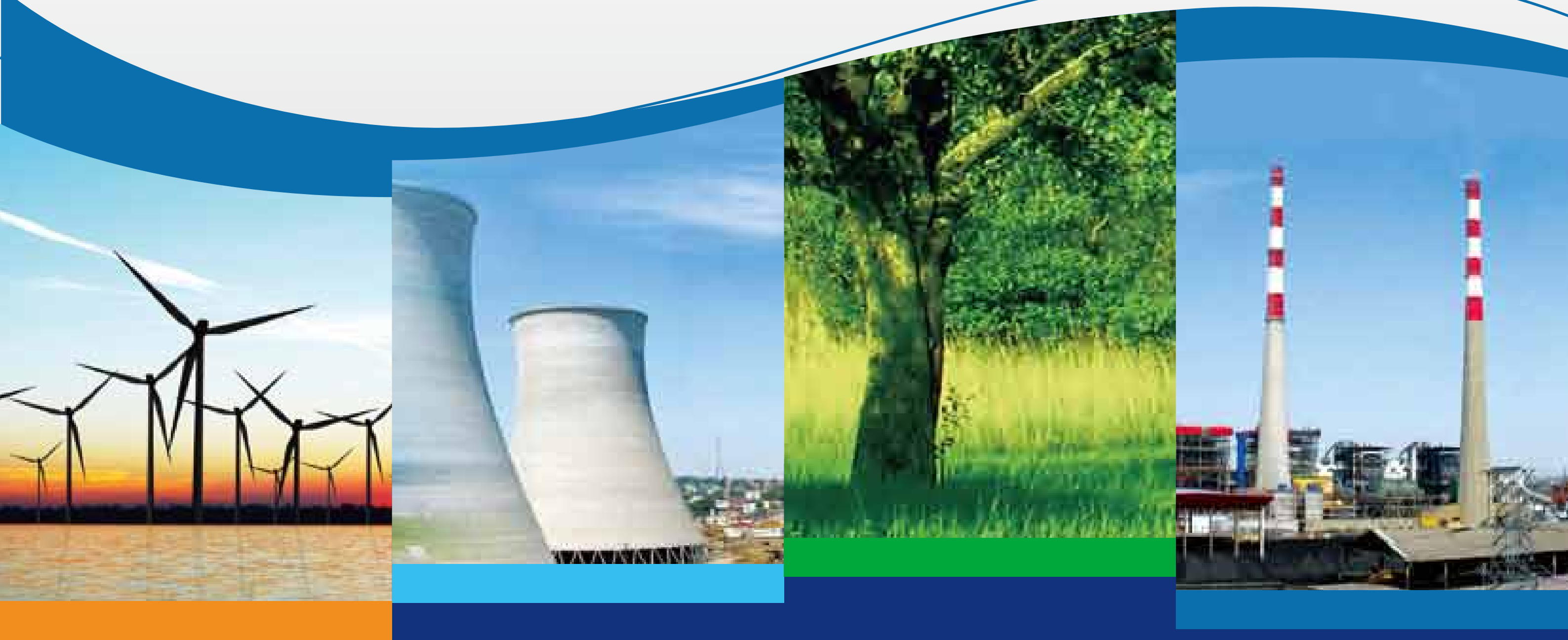
華電國際電力股份有限公司

HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Stock Code : 1071

Annual Report
2011



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華電國際電力股份有限公司
HUADIAN POWER INTERNATIONAL CORPORATION LIMITED

Contents

Company Profile

Huadian Power International Corporation Limited (the "Company") and its subsidiaries (together, the "Group") are one of the largest comprehensive energy companies in the People's Republic of China (the "PRC"), and are primarily engaged 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 report, 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.

The Company was incorporated in Jinan, Shandong Province, the PRC on 28 June 1994. On 30 June 1999, the Company issued approximately 1,431 million H shares in its initial public offering, which were listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange"). At the beginning of year 2005, the Company issued 765 million A shares, which were listed on the Shanghai Stock Exchange on 3 February 2005. On 1 December 2009, the Company issued 750 million A shares through a non-public issue, and such shares were listed on the Shanghai Stock Exchange. To date, the Company has issued 5,340,056,200 A shares and 1,431,028,000 H shares, accounting for approximately 78.87% and 21.13% of the total issued share capital of the Company, respectively. As at the date of this report, the total number of employees of the Group amounted to 22,533.

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

(1) CONTROLLED COAL- AND GAS-FIRED GENERATING UNITS TOTALED 27,934 MW, 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 the 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 companies.

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 report, 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, 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

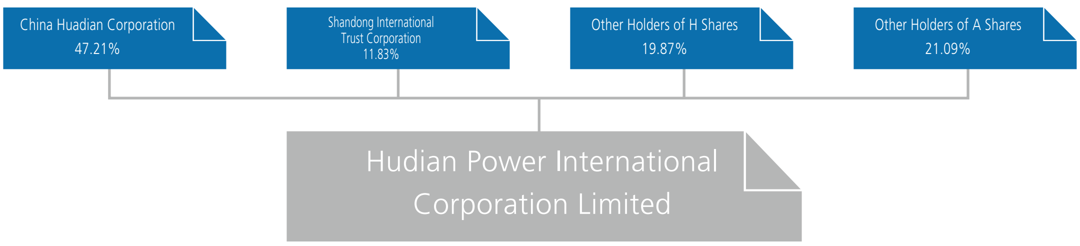
(3) COAL RESOURCE RESERVES AMOUNTED TO APPROXIMATELY 2 BILLION TONNES AND TOTAL CAPACITY AMOUNTED TO APPROXIMATELY 12.7 MILLION TONNES/YEAR, DETAILS OF WHICH ARE AS FOLLOWS:

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 holds 45% and 33% equity interests in Longtan Company and Changfa Coal Coke, respectively, through its non-wholly-owned subsidiaries Guang'an Company and Century Power Company.

SHAREHOLDING STRUCTURE

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



Chairman's Statement

Dear Shareholders,

I hereby present the annual results of the Group for the year ended 31 December 2011. The past year was of great significance in the development history of the Group, but was also a year of sustained operational pressure since 2008. For the financial year ended 31 December 2011, power generation of the Group amounted to 150.76 million MWh, representing an increase of approximately 15.71% over 2010; daily maximum power generation reached 0.5 million MWh, scaling a historical new high; total assets amounted to RMB149,703 million, up 16.44% over the beginning of 2011; 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 and the earnings per share was RMB0.011. As the Group's earnings per share after deducting a one-off investment income was negative during the reporting period, the board of the Company did not propose distribution of any final dividend for the 2011 financial year.

In 2011, the Group stepped up supervision and inspection over production safety, further pushed forward the campaign for accidents self-examination and potential hazards elimination, stuck to rigorous appraisal, and put into practice correctional measures so that the Group's production safety remained at a steady level. Tengzhou Company realized safe production of over 5,000 consecutive days; Zouxian Plant, Weifang Company, Laicheng Plant, Qingdao Company, Century Power Company and Zibo Company realized safe production of over 4,000 consecutive days. The Group's 15 generating units were granted the honor of outperforming generating unit in the national thermal power energy efficiency standards & competition, among which, the No. 6 generating unit of Zouxian Plant won the first prize in the national thermal power 600MW large generating units competition, and the No. 1 generating unit of Suzhou Company was honored the national gold thermal power generating unit.

To increase the return to shareholders and strengthen its core competitiveness, the Group has been continuously exploring new opportunities for development of electricity business across the country, with a view to maintaining its position as one of the largest and most competitive listed power producers in the PRC. From 1 January 2011 up to the date of this report, the installed capacity of the Group kept increasing; the Group has completed construction and commenced operation of the following projects with an aggregate capacity of 3,499MW (with the percentage of renewable energy at 22.26%): two 1,060MW generating units of Phase II of Lingwu Company, two 300MW heat-power co-generating units of Luhua Company, two 230MW hydroelectric generating units of Luding Hydropower Company, 121MW hydroelectric generating units of Za-gunao Hydroelectric Company, 99MW wind power generating unit of Kailu Wind Power Company, 49.5MW wind power generating units of Kezuozhongqi Wind Power Company, and 49.5MW wind power generating units of Phase III of Ningdong Wind Power Company.

Chairman's Statement (Continued)

The Group's projects under construction and preliminary projects are proceeding smoothly. As at the date of this report, the Group's projects with an aggregate capacity of 8,084MW involving thermal power, gas-fired power, hydropower, wind power and solar power generating units have been approved, including the two 1,000MW generating units of Huadian Laizhou Power Generation Company Limited ("Laizhou Company"). In addition, other thermal power, gas-fired power and wind power projects of the Group with an aggregate capacity of 8,144.5MW have obtained the "road slips" (i.e. preliminary approval by National Development and Reform Commission ("NDRC") or its local counterparts), and are subject to obtaining the official approval by the relevant State or local authorities.

While continually expanding power source projects, the Group has been actively adjusting its industrial structure by extending to upstream sectors. In 2011, the Group kept exploring quality coal projects and completed the acquisitions of 85% equity interest in Haoyuan Company, 100% equity interest in Shunge Company, and 51% equity interest in Wenhui Company, with newly-acquired controlled coal resources of approximate 144 million tonnes.

In 2011, the Group was also active in capital operations, and commenced the non-public issue of 600,000,000 A shares for equity financing, with planned gross proceeds of not more than RMB1.9 billion, which would be used respectively for the thermal power, port and coal trade projects in Laizhou Company, Huadian Laizhou Port Company Limited ("Laizhou Port Company") and Hebei Fengyuan Industrial Company Limited ("Fengyuan Company"). At present, the relevant project is in progress as scheduled.

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

Yun Gongmin
Chairman

Beijing, the PRC
28 March 2012

Business Review and Outlook

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; the volume of 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 generated 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 report, the capacity of the Group's new generating units amounted to 3,499MW:

Name of project	**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 report, 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
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 ("Shuozhou Thermal Power")	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 report, the Group's major preliminary projects which have obtained the "road slips" and are subject to obtaining the official approval by the relevant State or local authorities are as follows:

Name of project	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
Chongqing Fengjie Project	2 x 600MW generating units
Phase II Project of Hangzhou Banshan Company	3 x 390MW generating units
Jiangdong Project in Hangzhou, Zhejiang	2 x 390MW generating units
Xiasha Project in Hangzhou, Zhejiang	2 x 115MW generating units
Zhejiang Longyou Project	2 x 180MW generating units
Guangdong Shenzhen Pingshan Distributed Energy Project	3 x 50MW generating units
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 Review and Outlook (Continued)

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 have 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 been imposing 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 coal industry invested by the Company 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, hydropower, wind power and coal mining projects. Assuming that 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:

Business Review and Outlook (Continued)

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.

Chen Jianhua
Executive Director and General Manager

Beijing, the PRC
28 March 2012

Directors, Supervisors and Senior Management

DIRECTORS

Mr. Yun Gongmin, Chinese, born in September 1950, graduated from the Heat Energy Engineering Department of Tsinghua University majoring in Auto Manufacturing. He is currently Chairman of the Company, and the general manager of China Huadian Corporation. Mr. Yun had served as deputy chief and chief of Yikezhao Banner of Inner Mongolia and general secretary of Yikezhao Banner Committee of CPC and director of the Working Committee of the People's Congress of Yikezhao Banner, vice chairman of Inner Mongolia Autonomous Region, deputy governor and deputy secretary of party committee of Shanxi Province, vice chairman and deputy secretary of party committee of Shenhua Group Corporation Limited. Mr. Yun has over 30 years' experience in government administration and industry management.

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

Mr. Chen Dianlu, Chinese, born in October 1954, graduated from Shandong Chemical College with a Master's degree, is currently serving as the vice chairman of the Company and a director and a deputy general manager of Shandong Luxin Investment Holdings Group Co., Ltd.. Mr. Chen had served as the head of the Resource Department of Shandong Development and Planning Commission, the manager of the Fund Finance Department, assistant general manager and deputy general manager of Shandong International Trust and Investment Corporation and a director, deputy general manager and researcher of Shandong Luxin Investment Holdings Co., Ltd.. Mr. Chen has 30 years' experience in trust, investments and similar related work.

Directors, Supervisors and Senior Management (Continued)

Mr. Chen Jianhua, Chinese, born in May 1960, a senior engineer with a Doctor's degree, is currently a director and the general manager of the Company. Mr. Chen graduated from Xi'an Jiaotong University. He has 30 years' experience in power generation, operating management and securities finance. Before joining the Company, Mr. Chen had worked at Qingdao Power Plant and Shandong Electric Power Group Corporation.

Ms. Wang Yingli, Chinese, born in September 1961, is a senior engineer and holds a MBA degree. She is currently a director of the Company, and the deputy general manager of Shandong International Trust Corporation. She is also a director of Jinan International Airport Co., Ltd., Shandong Nuclear Power Company Ltd., respectively, and a supervisor of Shandong Airline Group Co., Ltd.. Ms Wang commenced her job career in 1981. Ms Wang has 30 years' experience in macroeconomics, trust and investment management. Ms. Wang had worked at Shandong University and Shandong International Trust Corporation.

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

Directors, Supervisors and Senior Management (Continued)

Mr. Zhong Tonglin, Chinese, born in February 1960, is a senior engineer. Mr. Zhong graduated from Xi'an Jiaotong University with a Master's degree. He is currently a director and deputy general manager of the Company. He is also the vice chairman of Ningxia Power Generation Group. Mr. Zhong has 29 years' experience in electric power infrastructure, design, management and securities finance. Before joining the Company, Mr. Zhong had worked at the Shandong Electric Power Design Institute, the Shandong Electric Power Infrastructure Company, Shandong No.3 Electric and Construction Company and Shandong Electric Power Group Corporation.

Mr. Chu Yu, Chinese, born in August 1963, an engineer, graduated from Shanghai Electric Power College. He is currently serving as a director of the Company and the head of Financial and Risk Management Department of China Huadian Corporation, the chairman of China Huadian Finance Corporation Limited, a director of Huadian Property Co., Ltd., Huadian Tendering Co. Ltd, Huadian Energy Corporation Limited and Guizhou Wujiang Hydropower Development Company Limited. He had worked at Yangzhou Power Plant, Yangzhou Power Generation Co., Ltd., China Huadian Jiangsu Branch and China Huadian Corporation. He has 27 years' experience in electric power generation and operation management.

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

Mr. Wang Jixin, Chinese, born in September 1946, graduated from the Philosophy Department of Nankai University with a Bachelor of Arts degree. Mr. Yang is currently an independent director of the Company, the vice president of China Education Development Foundation, an independent director of Hong Yuan Securities Co., Ltd. and of Jizhong Energy Resources Co., Ltd. He used to work as secretary, deputy section chief, section chief and deputy director of the general office, sub-librarian and deputy director of the intelligence information research center at the Party School of the CPC Central Committee. He also had served as deputy director of the labor and personnel department of the Government of Inner Mongolia Autonomous Region, a member, standing member and secretary-general of the Inner Mongolia Autonomous Region Committee of CPPCC, president, chief editor and editor at China Finance Magazine of the Ministry of Finance of the PRC, executive deputy secretary of the Committee of the CPC of the Ministry of Finance and director of the Internal Service Bureau of the Ministry of Finance. Besides, he also had worked as the legal representative and general manager of Debao Industrial Corporation, chairman of the board of directors of Debao Property Development Ltd. as well as a consultant at the Internal Service Bureau of the Ministry of Finance and Debao Industrial Corporation.

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

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

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

SUPERVISORS

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

Mr. Peng Xingyu, Chinese, born in February 1962, is a Chinese Certified Public Accountant and a senior accountant. He graduated from Wuhan University with a Master's degree in Economics. He is currently a supervisor of the Company, chief auditor of China Huadian Corporation, the chairman of Shenyang Jinshan Energy Co., Ltd., the chairman of the supervisory committee of Huadian Coal Industry Group Company Limited, and an executive director of Huadian Jinshan Energy Co., Ltd.. Mr Peng had worked at Huazhong Electric Power Management Bureau, China Huazhong Electric Power Group Company and Hubei Electric Power Company. He has 30 years' experience in the fields of power finance, assets, corporate operation and capital operation.

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

Directors, Supervisors and Senior Management (Continued)

COMPANY SECRETARY

Mr. Zhou Lianqing, Chinese, born in November 1960, is a senior engineer and a graduate from Shandong University with a Master's degree. He is currently the secretary to the Board of the Company and an associate member of the Hong Kong Institute of Company Secretaries. Mr. Zhou started his working career in 1982. Before joining the Company, Mr. Zhou had worked at the Shandong Xindian Power Plant and Shandong Electric Power Group Corporation. He has 30 years' experience in electric power generation, management, laws and regulations, finance, investor relations and securities management.

SENIOR MANAGEMENT

Mr. Wang Wenqi, Chinese, born in March 1963, is a senior engineer with a Master's degree. He was formerly a deputy general manager of the Company. Mr. Wang graduated from Baylor University in the United States of America. He has 29 years' experience in electric power examination, research, management and securities finance. Before joining the Company, Mr. Wang had worked at the Shandong Electric Power Science and Research Institute and Shandong Electric Power Group Corporation.

Mr. Luo Xiaoqian, Chinese, born in December 1962, who graduated from Xi'an Jiaotong University and holds a Doctor's degree in management, is currently a deputy general manager of the Company. Mr. Luo has 29 years' experience in the design, infrastructure construction, production, operation and management of hydropower generation. Before joining the Company, Mr. Luo once served as deputy director, deputy chief engineer, chief engineer, director and party secretary of the machinery branch plant of Wujiangdu Power Plant (烏江渡發電廠), assistant to the general manager of Guizhou Wujiang Hydropower Development Co., Ltd. and director of the construction preparation office of Goupitan Hydropower Station, a deputy general manager of Guizhou Wujiang Hydropower Development Co., Ltd. and of Guizhou Company under China Huadian Corporation, and deputy director of the Engineering Management Department of China Huadian Corporation.

Mr. Wang Hui, Chinese, born in January 1964, a Master's degree holder, is currently a deputy general manager of the Company, the general manager of Sichuan Huadian Luding Hydropower Company Limited as well as a director of Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited and Hudian Jinshajiang Upstream Hydropower Development Co. Ltd.. Mr. Wang graduated from Tsinghua University in Beijing and started his career in 1985, having 26 years' experience in hydropower generation design, infrastructure, production, operation and management. Before joining the Company, Mr. Wang successively served in Qinghai Longyangxia No.4 Engineering Bureau of the Ministry of Hydraulic and Electric Engineering, Qinghai Lijiaxia No.4 Engineering Bureau project office of the Ministry of Hydraulic and Electric Engineering, Comprehensive Office Of Hydropower Development Department of the Ministry of Energy, Hydropower Development Section of Hydropower and Agriculture Electricity Department of the Ministry of Power, Hydropower Development Section of Hydropower Department of State Electric Power Corporation, New Energy Section of Hydropower Department of State Electric Power Corporation, Quality and Technology Section of Power Department of State Electric Power Corporation, Hydro Power Section of Power Department of State Electric Power Corporation and Technical Section of Engineering Technology Department of China Huadian.

Mr. Peng Guoquan, Chinese, born in October 1966, a senior engineer with a Master's degree, is currently a deputy general manager of the Company. Mr. Peng graduated from Huazhong University of Science and technology, majoring in thermal energy and power. Mr. Peng has 22 years' experience in power generation and management. Before joining the Company, Mr. Peng had served in Qingshan Thermal Power Plant, Wuchang Thermal Plant and Anhui Huadian Wuhu Power Company Limited.

Directors, Supervisors and Senior Management (Continued)

Mr. Xing Shibang, Chinese, born in June 1960, a senior engineer with a Master's degree, is currently a deputy general manager of the Company. Mr. Xing graduated from Xi'an Jiaotong University majoring in Business Administration. Mr. Xing has 30 years' experience in power generation, operation and management. Mr. Xing had served as electricity operating director and director of Power Generation Department of Shiliquan Plant, the head of Production Department of Huadian Power International Corporation Limited, factory manager of Laicheng Plant and general manager of Huadian Weifang Power Generation Company Limited.

Mr. Chen Cunlai, Chinese, born in November 1962, a Master's degree holder, senior economist and senior accountant, is currently the chief financial officer of the Company. Mr. Chen graduated from North China Electricity Power University majoring in Business Administration in 2001. Mr. Chen has 30 years' experience in power generation, operation management and financial management. Mr. Chen had served as director of Planning and Budgeting Department, deputy chief economist, deputy chief accountant and assistant to factory manager of Zouxian Plant. He had also served as the head of Supervision & Audit Department, the head of HR Administration Department, deputy chief accountant and the head of Financial Department of the Company.

Mr. Wang Huiming, Chinese, born in October 1962, a Doctor's degree holder and researcher-level senior engineer, who graduated from China University of Mining and Technology and is a part-time professor and tutor to postgraduates in the School of Management of the said university, is currently a deputy general manager of the Company. Mr. Wang has 28 years' experience in the construction, production, operation and management coal mines. Mr. Wang had served as deputy secretary of the Youth League Committee of Xuzhou Mining Bureau, PRC technical head of Philippine Xitai Mining Company, director of general office, director of business department and deputy general manager of Xuzhou Mining Co., Ltd., general manager of Xuzhou Mining Co., Ltd. and general manager of International Economic & Technical Cooperation Company under Xuzhou Mining Group, manager and secretary of party committee of Sanhejian Mine of Xuzhou Mining Group, chairman and general manager of Jiangsu Huamei Engineering Construction Group Co., Ltd., chairman and general manager of Jiangsu Mining and Engineering Corporation, deputy general manager and party member of Huadian Shanxi Energy Co., Ltd..

Mr. Xie Yun, Chinese, born in November 1963, a senior engineer, graduated from Thermal Engineering Department of Tsinghua University with a Bachelor's degree. He is currently the chief engineer of the Company. Before joining the Company, Mr. Xie successively served in the Huabei Electricity Research Institute, Safe Production Department of the Ministry of Power, Generation and Transmission Operation Department of State Electric Power Corporation and Production Operation Department of China Huadian Corporation. He has 25 years' experience in scientific research, production and management of electric power.

Management Discussion and Analysis

(1) Macroeconomic Conditions

According to relevant information and statistics, the gross domestic product ("GDP") of the PRC in 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 the guarantees 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 2011.

Directors' Report

The board of the Company (the "Board") has pleasure in submitting the annual report together with the audited financial statements of the Group for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the generation and sale of electricity and heat. All electricity generated is supplied to the grid companies where the plants are located. As the Group principally has one reportable segment, which is the generation and sale of electricity and heat in the PRC, therefore, no additional reportable segment has been presented and no additional information about geographical areas were included in the above mentioned financial statements. The profit of the Group for the year ended 31 December 2011 and the Group's and the Company's financial positions as of that date prepared in accordance with IFRSs are set out on pages 34 to 87 of the annual report.

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 the one-off investment income was negative during the reporting period, 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.

RESOLUTIONS PASSED AT THE BOARD MEETINGS IN 2011

In 2011, the Board convened a total of 11 Board meetings, details of which are summarized as follows:

1. The 23rd meeting of the fifth session of the Board was convened on 14 January 2011. At the meeting, the Board was briefed the development in relation to the equity interest acquisition of Sichuan Huoxing Investment Co., Ltd. ("Huoxing Company"), Sichuan Xiexing Investment Co., Ltd. ("Xiexing Company") and Haoyuan Company, and authorized the General Manager of the Company or his authorized person(s) to execute the Equity Transfer Agreements on behalf of the Company, and to execute necessary documents and take necessary actions for the purpose of completing and proceeding with the Equity Transfer Agreements and all the transactions thereunder.

2. The 24th meeting of the fifth session of the Board was convened on 30 March 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 31 March 2011.

3. The 25th meeting of the fifth session of the Board was convened on 28 April 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 29 April 2011.

4. The 26th meeting of the fifth session of the Board was convened on 20 May 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 23 May 2011.

5. The 1st meeting of the sixth session of the Board was convened on 8 June 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 9 June 2011.

6. The 2nd meeting of the sixth session of the Board was convened on 26 July 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 27 July 2011.

7. The 3rd meeting of the sixth session of the Board was convened on 18 August 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 19 August 2011.

8. The 4th meeting of the sixth session of the Board was convened on 11 October 2011. At the meeting, the proposal in relation to the management's statement (i.e. the statement of the Company's management on the use of previously raised proceeds) was considered and approved, and the Chairman and Chief Financial Officer of the Company were authorized to sign thereon; the proposal in relation to the Report on Use of Previously Raised Proceeds (as at 30 June 2011) was considered and approved; and the proposal in relation to the revision of relevant statements of the Company's plan for non-public issue of A shares was considered and approved.

9. The 5th meeting of the sixth session of the Board was convened on 25 October 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 26 October 2011.

10. The 6th meeting of the sixth session of the Board was convened on 22 November 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 23 November 2011.

11. The 7th meeting of the sixth session of the Board was convened on 29 December 2011, announcement of resolutions in the respect of which was published in China Securities Journal, Shanghai Securities News and Securities Times on 30 December 2011.

Details of the relevant transactions mentioned above which were proceeded with or completed in 2011 are set out in the section headed "Significant Events" of this annual report.

SUBSIDIARIES AND ASSOCIATED COMPANIES

Particulars of the Company's subsidiaries and associated companies as at 31 December 2011 are set out in notes 22 and 23 respectively to the financial statements prepared in accordance with IFRSs included in this annual report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group and the Company as at 31 December 2011 are set out in note 31 to the financial statements prepared in accordance with IFRSs included in this annual report.

INTEREST CAPITALISED

Details relating to the interest capitalised by the Group during the year 2011 are set out in note 9 to the financial statements prepared in accordance with IFRSs included in this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details relating to movements in property, plant and equipment of the Group and those of the Company during the year 2011 are set out in note 18 to the financial statements prepared in accordance with IFRSs included in this annual report.

RESERVES

Details relating to movements in reserves of the Group and the Company for the year ended 31 December 2011 are set out in the consolidated statement of changes in shareholders' equity in the financial statements prepared and note 38(a) to the financial statements prepared in accordance with IFRSs included in this annual report respectively.

DONATIONS

During the year of 2011, the Group made donations for charitable purposes in an aggregate amount of approximately RMB290,000 (2010: RMB1,215,000).

EMPLOYEES' RETIREMENT PLANS

Details of the employees' retirement plans of the Group are set out in note 40 to the financial statements prepared in accordance with IFRSs included in this annual report.

EMPLOYEES' MEDICAL INSURANCE

During 2011, there was no change in employees' medical insurance of the Group as compared with that of 2010. The Group anticipates that implementation of the above medical insurance will not have any significant impact on the business operation and financial position of the Group. Apart from the above contributions, the Group is not required to pay any other medical expenses for its staff.

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

Details of the share capital of the Company for the year 2011 and as at 31 December 2011 are set out in the Company's statement of changes in shareholders' equity in the financial statements prepared in accordance with IFRSs and note 38(c) to the financial statements prepared in accordance with IFRSs included in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

During the financial year of 2011, details regarding the percentages of the Group's sales and purchases attributable to its major customers and major suppliers, respectively, are as follows:

	Approximate Percentage in the Group's	
	Sales	**Purchases**
The largest customer	45.55%	
The five largest customers combined	74.67%	
The largest supplier		16.44%
The five largest suppliers combined		28.83%

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

SUBSTANTIAL SHAREHOLDERS

So far as the Directors of the Company are aware, each of the following persons, not being a Director, supervisor ("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..

Save as disclosed above and so far as the Directors are aware, as at 31 December 2011, no other person (other than the Directors, Supervisors, chief executives or members of senior management of the Company) had an interest or short position in the Company's shares or underlying shares (as the case may be) which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under section 336 of the SFO, or was otherwise a substantial shareholder (as defined in the Hong Kong Listing Rules) of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, Supervisors and senior management of the Company for the financial year ended 31 December 2011. All Directors and Supervisors are currently serving a term of three years, renewable upon re-election and re-appointment every three years.

Name	Position in the Company	Changes
Yun Gongmin	Chairman, Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Chen Feihu	Vice Chairman, Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Chen Dianlu	Vice Chairman, Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Chen Jianhua	Executive Director, General Manager	Reappointed upon election at the AGM held on 8 June 2011
Wang Yingli	Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Chen Bin	Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Zhong Tonglin	Executive Director, Deputy General Manager	Reappointed upon election at the AGM held on 8 June 2011
Chu Yu	Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Wang Yuesheng	Independent Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Wang Jixin	Independent Non-executive Director	Appointed at the AGM held on 8 June 2011
Ning Jiming	Independent Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Yang Jinguan	Independent Non-executive Director	Reappointed upon election at the AGM held on 8 June 2011
Hao Shuchen	Independent Non-executive Director	Resigned upon conclusion of the AGM held on 8 June 2011
Li Xiaopeng	Chairman of the Supervisory Committee	Reappointed upon election at the AGM held on 8 June 2011
Peng Xingyu	Supervisor	Reappointed upon election at the AGM held on 8 June 2011
Chen Bin	Supervisor	Reappointed upon election at the AGM held on 8 June 2011
Zhou Lianqing	Secretary to the Board	Appointed on the first meeting of the sixth session of the Board held on 8 June 2011
Wang Wenqi	Deputy General Manager	Resigned upon conclusion of the eighth meeting of the sixth session of the Board held on 28 March 2012
Luo Xiaoqian	Deputy General Manager	Appointed on the first meeting of the sixth session of the Board held on 8 June 2011
Wang Hui	Deputy General Manager	Appointed on the first meeting of the sixth session of the Board held on 8 June 2011
Peng Guoquan	Deputy General Manager	Appointed on the first meeting of the sixth session of the Board held on 8 June 2011
Xing Shibang	Deputy General Manager	Appointed on the first meeting of the sixth session of the Board held on 8 June 2011
Chen Cunlai	Chief Financial Officer	Appointed on the first meeting of the sixth session of the Board held on 8 June 2011
Wang Huiming	Deputy General Manager	Appointed on the first meeting of the sixth session of the Board held on 8 June 2011
Xie Yun	Chief Engineer	Appointed on the first meeting of the sixth session of the Board held on 8 June 2011

The Directors' and Supervisors' remunerations for the year ended 31 December 2011 are set out in note 11 of the financial statements prepared in accordance with IFRSs included in this annual report.

The biographical details of the existing Directors, Supervisors and members of senior management of the Company, including essentially the particulars required under paragraph 12 of Appendix 16 to the Hong Kong Listing Rules (if and as applicable and appropriate), are set out on pages 10 to 15 in this annual report.

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

SHAREHOLDINGS OF DIRECTORS, SUPERVISORS, CHIEF EXECUTIVES AND SENIOR MANAGEMENT

As at 31 December 2011, none of the Directors, Supervisors, chief executives or members of senior management of the Company and their respective associates had any interest or short position in the shares, underlying shares and/ or debentures (as the case may be) of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including interest and short position which any such Director, Supervisor, chief executive or member of senior management was taken or deemed to have under such provisions of the SFO) and was required to be entered in the register of interests required to be kept by the Company pursuant to section 352 of the SFO, or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Hong Kong Listing Rules (which for this purpose shall be deemed to apply to the Supervisors to the same extent as it applies to the Directors).

During the year of 2011 and as at 31 December 2011, none of the Directors, Supervisors, chief executives or members of senior management of the Company or any of their respective spouses or children under 18 years of age were granted any right, and the Company (or its subsidiaries, holding company or subsidiaries of its holding company) had not made and was not a party to any arrangement enabling any of them, to subscribe for any share capital or debt securities of the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

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

SERVICE CONTRACTS OF THE DIRECTORS AND SUPERVISORS

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

MANAGEMENT CONTRACT

In 2011, there was no management or administration contract in respect of all or substantial part of the Company's business.

Directors' Report (Continued)

SIGNIFICANT EVENTS

Significant events of the Company during the period from 1 January 2011 to the date of this report are as follows:

(1) 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 to not more than 10 qualified investors (including 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, Laizhou Port Company and Fengyuan Company. 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 announcements of the Company dated 20 May 2011 and 22 November 2011 and the circular dated 12 December 2011.

(2) 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.

For details, please refer to announcements of the Company dated 31 May 2011 and 1 December 2011.

(3) Acquisition of Sichuan Hydropower Assets (Equity Interests in Huoxing Company and Xiexing Company)

On 22 September 2011, the Group entered into the Huoxing Company Equity Transfer Agreement with all shareholders of Huoxing Company, pursuant to which all shareholders of Huoxing Company sold, and the Company purchased, the aggregate 100% equity interest in Huoxing Company, for a total consideration of RMB825 million on the terms and subject to the conditions of the Huoxing Company Equity Transfer Agreement. All shareholders of Huoxing Company were third parties independent of the Group and were not connected persons of the Group. To date, such acquisition has been completed. Huoxing Company has become a wholly-owned subsidiary of the Group and its financial results have been consolidated into the accounts of the Group.

On 22 September 2011, the Group entered into the Xiexing Company Equity Transfer Agreement with all shareholders of Xiexing Company, pursuant to which all shareholders of Xiexing Company sold, and the Company purchased, the aggregate 100% equity interest in Xiexing Company, for a total consideration of RMB865 million on the terms and subject to the conditions of the Xiexing Company Equity Transfer Agreement. All shareholders of Xiexing Company were third parties independent of the Group and were not connected persons of the Group. To date, such acquisition has been completed. Xiexing Company has become a wholly-owned subsidiary of the Group and its financial results have been consolidated into the accounts of the Group.

For details, please refer to announcement of the Company dated 22 September 2011.

(4) 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 (For details, please refer to announcement of the Company dated 14 September 2011). 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 (For details, please refer to announcement of the Company dated 16 April 2012). As at the date of this report, 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.

(5) Re-election of the Board and the Supervisory Committee

The Company held the 2010 AGM on 8 June 2011. The resolution regarding the re-election of the Board and the Supervisory Committee of the Company was considered and approved. At the meeting, the following twelve persons, Yun Gongmin, Chen Feihu, Chen Dianlu, Chen Jianhua, Wang Yingli, Chen Bin, Zhong Tonglin, Chu Yu, Wang Yuesheng, Wang Jixin, Ning Jiming and Yang Jinguan were elected as members of the 6th session of the Board of the Company, Li Xiaopeng and Peng Xingyu were elected as members of the 6th session of the Supervisory Committee. In addition, Mr. Chen Bin was elected as employee representative supervisor of the 6th session of the Supervisory Committee at the employee representatives meeting. Mr. Hao Shuchen resigned as Independent Non-executive Director due to personal reasons with effect from the conclusion of the 2010 AGM. The Company expressed its gratitude to Mr. Hao Shuchen for his contribution to the Company.

For details, please refer to announcement of the Company dated 8 June 2011.

(6) Convening of three Extraordinary General Meetings

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

For details, please refer to announcement of the Company dated 22 February 2011.

The Company held the 2011 Second EGM on 26 July 2011. The resolution regarding the non-public issuance of shares by the Company, the resolution regarding the subscription of shares by China Huadian and the entering into the conditional agreement on subscription for shares issued by Huadian Power International Corporation Limited by way of non-public Issuance, the resolution regarding the authorizations to the Board to handle at full discretion the matters in connection with the non-public issuance, the resolution regarding the issuance of inter-bank debt financing instruments by the Company, the resolution in relation to satisfaction of the conditions for non-public issuance of A Shares by the Company, the resolution regarding the feasibility analysis report for the use of proceeds from the non-public issuance of A shares and the resolution regarding the explanatory report for the use of the previous raised proceeds, were considered and approved at the meeting.

For details, please refer to announcement of the Company dated 26 July 2011.

The Company held the 2011 Third EGM on 28 December 2011. The following resolutions were considered and approved at the meeting: the resolution regarding the continuing connected transactions, the resolution regarding the provision of loan by China Huadian and its subsidiaries and the companies whose 30% equity interests or above are directly or indirectly held by China Huadian as well as Shandong International Trust Corporation to the Group and the proposed annual average loan balance, the resolutions regarding the adjustment to the plan for non-public issuance of A Shares by the Company, the resolution regarding the entering into the supplemental agreement to the subscription agreement on non-public issuance of A Shares by Huadian Power International Corporation Limited Company between China Huadian and the Company, the resolution regarding the authorizations to the Board in connection with the adjusted non-public issuance, the resolution concerning the satisfaction by the Company of the conditions for non-public issuance of A Shares and the resolution regarding the feasibility analysis report for the use of proceeds from the non-public issuance of A Shares.

For details, please refer to announcement of the Company dated 28 December 2011.

(7) Amendments to the Articles of Association

Some articles of the Company's original Articles of Association were inconsistent with the Listing Rules of the Shanghai Stock Exchange (2008 revision) and the actual conditions of the Company. At the EGM of the Company held on 22 February 2011, the amendments to Articles 59, 62, 66, 108, 117, 119 and 127 of the original Articles of Association, including its three appendices, namely, the Codes of Shareholders' Meeting, the Codes of Board Practices and the Codes of Supervisory Committee were considered and approved.

For details, please refer to announcement of the Company dated 22 February 2011.

CONNECTED TRANSACTIONS

Connected transactions, as defined in the Hong Kong Listing Rules, entered into by the Group during the period from 1 January 2011 to the date of this report are as follows:

(1) Proposed Subscription of New A Shares by China Huadian

On 20 May 2011, the Company entered into the CH Subscription Agreement with China Huadian, pursuant to which China Huadian would, at a subscription price of not less than RMB3.69 (approximately HK$4.41) per A Share, subscribe in cash for not more than 90,000,000 new A Shares with a total subscription price of RMB332.1 million (approximately HK$397.25 million) (assuming subscription of the maximum 90,000,000 new A Shares under the CH Subscription Agreement). On 22 November 2011, the Company entered into the CH Supplemental Agreement with China Huadian, pursuant to which China Huadian would, at a subscription price of not less than RMB3.00 (approximately HK$3.68) per A Share, subscribe in cash for not less than 60,000,000 and not more than 90,000,000 new A Shares with a total subscription price of RMB270 million (approximately HK$331 million) (assuming subscription of the maximum 90,000,000 new A Shares under the CH Subscription Agreement). China Huadian shall subscribe the new A Shares at the same subscription price as the other investors who subscribe for the new A Shares pursuant to the Adjusted Proposed Placing. China Huadian shall not dispose of its new A Shares within 36 months from the date of completion of this share issue.

China Huadian is the controlling shareholder of the Company, thus a connected person of the Company for the purpose of the Hong Kong Listing Rules.

For details, please refer to the announcements of the Company dated 20 May 2011 and 22 November 2011.

(2) Acquisition of 100% Equity Interest in Shuozhou Thermal Power

On 9 November 2011, the Group entered into the Equity Transfer Agreement with Huadian Shanxi Energy Co., Ltd. ("Shanxi Energy") for the acquisition of 100% Equity Interest in Shuozhou Thermal Power at a consideration of RMB14.27 million (equivalent to approximately HK$17.47 million).

Shanxi Energy is wholly-owned by China Huadian and China Huadian is the controlling shareholder of the Company, thus Shanxi Energy is a connected person of the Company for the purpose of the Hong Kong Listing Rules. The acquisition of 100% Equity Interest in Shuozhou Thermal Power constitutes a connected transaction for the Group.

For details, please refer to the announcements of the Company dated 22 November 2011.

CONTINUING CONNECTED TRANSACTIONS

Pursuant to the Hong Kong Listing Rules, the continuing connected transactions incurred by the Group for the year ended 31 December 2011 are as follows:

(1) Continuing Connected Transactions in Relation to Renewal of the Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian

On 9 November 2011, the Group and China Huadian entered into the Coal, Equipments and Services Purchase (Supply) Framework Agreement between Huadian Power International Corporation Limited and China Huadian Corporation ("Framework Agreement"), which constituted all framework agreements for purchase of coal, engineering equipment, system and product by the Group from China Huadian(including its subsidiaries and invested companies directly or indirectly held as to 30% or more by it; the same applies below), or supply coal and services to China Huadian, and provision of coal purchase service, technical service, maintenance service, financial agent service, equity transaction intermediary service, CDM registration service and quota services by China Huadian to the Group. The term of the Framework Agreement commenced from 1 January 2012 and expires on 31 December 2012. Pursuant to the Framework Agreement, the annual cap for purchase of coal by the Group from China Huadian is RMB5.0 billion, the annual cap for purchase of engineering equipments, engineering services and other items by the Group from China Huadian is RMB1.3 billion, the annual cap for sale of coal and provision of maintenance services to China Huadian is RMB2.0 billion, and the annual cap for provision of procurement services and other services by China Huadian is RMB200 million. For details, please refer to the connected transaction announcement of the Company dated 9 November 2011.

On 10 September 2010, the Group entered into a similar agreement with China Huadian, the principal terms of which were: during the period from 1 January 2011 to 31 December 2011, the annual cap for purchase of coal by the Group from China Huadian was RMB5.0 billion, the annual cap for provision of design, construction and engineering equipments by China Huadian to the Group was RMB1.3 billion, the annual cap for supply of coal and provision of maintenance services by the Group to China Huadian was RMB1.2 billion, and the annual cap for provision of coal procurement services and other services by China Huadian to the Group was RMB200 million.

In 2011, the actual amounts of coal procurement by the Group from China Huadian, of provision of design, construction, and engineering equipments by China Huadian, and of provision of coal procurement services and other services by China Huadian were RMB1,557 million, RMB527 million and RMB32 million respectively. As the time for commencement of operation of coal mines controlled and developed by the Group was postponed, the Group didn't sell any coal to China Huadian during 2011. In addition, the amount of provision of maintenance services by the Group to China Huadian in 2011 was approximately RMB4.6727 million.

(2) Continuing Connected Transactions in Relation to Renewal of the Lease Agreement with Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Real Estate")

On 9 November 2011, the Group renewed the Lease Agreement with Anfu Real Estate (a non wholly-owned subsidiary of China Huadian), pursuant to which, the Group would lease certain properties in Huadian Tower from Anfu Real Estate for a term of three years commencing from 1 April 2012 to 31 December 2014 at an annual rental of approximately RMB49 million. For details, please refer to the connected transaction announcement of the Company dated 9 November 2011.

The Group had entered into a similar agreement with Anfu Real Estate on 9 December 2009, pursuant to which, the Company leased certain properties in Huadian Tower from Anfu Real Estate for a term of three years commencing from 1 April 2009 to 31 March 2012 at an annual rental of approximately RMB49 million.

The annual rental paid by the Group to Anfu Real Estate during 2011 amounted to approximately RMB49 million.

(3) Property Management Agreement Entered into with Huadian Technology & Trade Co., Ltd. ("Huadian Technology & Trade")

On 9 December 2009, the Group entered into the Property Management Agreement with Huadian Technology & Trade (a non wholly-owned subsidiary of China Huadian), pursuant to which, Huadian Technology & Trade would provide management services to the properties leased by the Group from Anfu Real Estate for three years commencing from 1 April 2009 to 31 March 2012, with the same annual management fees of approximately RMB7.06 million. Such service fees will be included in the aforesaid Continuing Connected Transactions No.(1), i.e. "Continuing Connected Transactions in Relation to Renewal of the Coal, Equipments and Services Purchase (Supply) Framework Agreement with China Huadian" after 31 March 2012.

In 2011, the actual property management fees paid by the Group to Huadian Technology & Trade was approximately RMB7.06 million.

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

To manage its coal purchases, the Group and Yanzhou Coal renewed the Coal Purchase Framework Agreement on 10 September 2010, for another term of three years from 1 January 2011 to 31 December 2013. The proposed annual caps for the coal purchase would not exceed RMB8 billion, RMB8 billion and RMB8 billion respectively.

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

In 2011, the Group's actual amount of coal purchase from Yanzhou Coal was approximately RMB4,509 million.

(5) Renewal of the Coal Purchase Framework Agreement with Huainan Mining Industry Group Company Limited ("Huainan Mining")

To manage its coal purchases, the Group and Huainan Mining renewed the Coal Purchase Framework Agreement on 10 September 2010, for a term of three years from 1 January 2011 to 31 December 2013. The proposed annual caps for the coal purchase would not exceed RMB4 billion, RMB4 billion and RMB4 billion respectively.

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

In 2011, the Group's actual amount of coal purchase from Huainan Mining was approximately RMB1,177 million.

(6) Renewal of Financial Services Agreement with China Huadian Corporation Finance Company Limited ("Huadian Finance")

On 10 September 2010, the Group re-entered into the Financial Services Agreement with Huadian Finance for the provision of certain financial services (including deposit services, settlement services, loan services and other financial services) by Huadian Finance to the Group. The agreement was for a term of one year commencing from 1 January 2011 to 31 December 2011. Pursuant to the Financial Services Agreement, the average daily balance of deposits placed by the Group with Huadian Finance shall not be more than the average monthly loan amount from Huadian Finance to the Group and shall not be more than RMB3.5 billion.

On 9 November 2011 and 7 February 2012, the Company re-entered into the relevant Financial Services Agreement with Huadian Finance for the provision of certain financial services by Huadian Finance to the Group, for a term commencing from 1 January 2012 to 31 December 2014. The Group proposes that the maximum average daily balance of deposits placed by the Group with Huadian Finance shall be RMB4.8 billion, and shall not be more than the average daily loan balance from Huadian Finance to the Group.

In 2011, the average daily balance of deposits placed by the Group with Huadian Finance did not exceed the average monthly loan amount from Huadian Finance to the Group, or RMB3.5 billion.

(7) Continuing Loan Framework Agreement Entered into Respectively with China Huadian and Shandong International Trust Corporation ("Shandong International Trust") for a Term of Three Years

On 9 November 2011, the Group entered into the continuing loan framework agreement with China Huadian and Shandong International Trust respectively, for a term of three years from 1 January 2012 to 31 December 2014, pursuant to which, the annual average loan balance of the Group from China Huadian and Shandong International Trust shall not be more than RMB20 billion and RMB10 billion respectively, provided that (i) the loan rate shall not be higher than that available to the Group from commercial banks during the same period; and (ii) the Group shall not be required to provide any mortgages, pledges, third party guarantees or other forms of guarantee. China Huadian and Shandong International Trust respectively hold 47.21% and 11.83% equity interests of the Company. According to relevant requirements of the Listing Rules of the Shanghai Stock Exchange, such two loans constitute connected transactions of the Group.

The Company has engaged its external auditor to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their conclusions in respect of the continuing connected transactions No. (1) to No. (6) set out above in accordance with Listing Rule 14A.38. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

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

(1) the Transactions were entered into by the Group in the ordinary and usual course of the Company's business;

(2) the terms of the agreement governing the Transactions are no less favorable than those generally available from the independent third party providers with similar procurement scale under similar services;

(3) the Transactions were conducted under normal commercial terms which are fair and reasonable and in the interests of the Group and its shareholders as a whole; and

(4) the annual aggregate amount of transactions No. (1) to No. (6) has not exceeded the annual caps disclosed in the announcements of the Group or the daily average deposit balance has not exceeded the caps as disclosed in the announcements of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

FINANCIAL SUMMARIES

Summaries of the results and the assets and liabilities of the Group for each of the five financial years ended 31 December 2011 prepared in accordance with IFRSs are set out on page 88.

The Company is not aware of any matter taking place in the year ended 31 December 2011 that would be required to be disclosed under Rules 13.13 to 13.19 of the Listing Rules.

MATERIAL LITIGATION

During the financial year of 2011, the Group was not involved in any material litigation or arbitration. Furthermore, no material litigation or claims were pending or threatened or made against the Group so far as the Directors of the Company are aware. 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.

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.

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.

AUDITORS

The Company has not changed its auditors in any of the preceding three years. A resolution for the re-appointment of KPMG Huazhen and KPMG as the domestic and international auditors of the Company respectively for financial year of 2012 will be proposed at the forthcoming 2011 Annual General Meeting.

By Order of the Board
Yun Gongmin
Chairman

Beijing, the PRC
28 March 2012

Corporate Governance Report

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

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

THE BOARD OF DIRECTORS

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

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

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

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

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

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

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

CHAIRMAN AND GENERAL MANAGER

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

(1) to preside over general meetings and to convene and preside over the Board meetings;

(2) to monitor on the implementation of resolutions of the Board meetings;

(3) to sign securities certificates issued by the Company;

(4) to sign important documents of the Board and other documents that shall be signed by the legal representative of the Company;

(5) to exercise the powers as a legal representative; and

(6) to exercise special disposal powers that are conferred under and in compliance with laws, administrative regulations and in the interests of the Company on matters of the Company in case of force majeure emergencies such as extraordinary and serious natural calamities, and provide post-event reports to the Board and the general meeting.

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

THE BOARD MEETINGS

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

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

(1) when proposed by shareholders representing more than 10% voting right;

(2) when deemed as necessary by the Chairman of the Board;

(3) when proposed jointly by more than one-third of the Directors;

(4) when proposed jointly by more than one-half of the independent Directors;

(5) when proposed by the Supervisory Committee; or

(6) when proposed by the General Manager.

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

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

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

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

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

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

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

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

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

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

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

(1) to convene the general meetings and report its work to the general meetings;

(2) to implement the resolutions passed at the general meetings;

(3) to decide the Company's business plans and investment schemes;

(4) to formulate the Company's annual budget scheme and budget implementation proposal;

(5) to formulate the Company's profit distribution plan and loss recovery plan;

(6) to formulate proposals for increasing or reducing the Company's registered capital and the issue of corporate debentures;

(7) to draw up plans for repurchase of the Company's shares or proposal for merger, division or dissolution of the Company;

(8) to determine external investment, assets acquisition, disposal, assets mortgage, trusted finance, connected transactions within the authorisation of the general meeting and other guarantee matters not subject to approval of the general meeting as stipulated by law, administration regulation and Article of Association;

(9) to determine the establishment of the Company's internal management structure;

(10) to appoint or dismiss the Company's General Manager and the Secretary to the Board, and pursuant to the General Manager's nominations, to appoint or dismiss senior management including the deputy general managers and financial officers of the Company and determine their remuneration, bonus and penalties;

(11) to formulate the Company's basic management system;

(12) to formulate proposed amendments to Articles of Association;

(13) to manage the information disclosure of the Company;

(14) to propose at general meetings for the appointment or change of accountants conducting auditing for the Company;

(15) to hear the work report and inspect the work of the General Manager; and

(16) to exercise any other powers specified in relevant laws and regulations or the Articles of Association and conferred by the shareholders at general meetings.

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

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

(1) to preside over the production, operation and management of the Company, and to implement resolutions of the Board;

(2) to formulate development plans, annual production and operation goals, annual financial budget scheme and budget implementation proposal, the Company's profit (after tax) distribution plan and loss recovery plan;

(3) to implement the Company's annual business plans and investment schemes;

(4) to formulate the scheme of the Company's internal management structure;

(5) to formulate the Company's basic management system;

(6) to formulate the Company's basic regulations;

(7) to propose to appoint or dismiss the Company's deputy general managers and financial officers;

(8) to appoint or dismiss the Company's senior management other than those to be appointed or dismissed by the Board;

(9) to determine remuneration, bonus and penalties of employees of the Company and to determine appointment or dismissal of them;

(10) to propose convening of extraordinary meetings of the Board;

(11) to handle significant business on behalf of the Company; and

(12) to exercise other powers within the authorisation of Articles of Association and the Board.

The Company convened 11 Board meetings during the financial year from 1 January 2011 to 31 December 2011.

Name	Position	Number of Attendance (including by proxies)	Number of Meetings
Yun Gongmin	Chairman	11	11
Chen Feihu	Vice Chairman	11	11
Chen Dianlu	Vice Chairman	11	11
Chen Jianhua	Executive Director	11	11
Wang Yingli	Non-executive Director	11	11
Chen Bin	Non-executive Director	11	11
Zhong Tonglin	Executive Director	11	11
Chu Yu	Non-executive Director	11	11
Wang Yuesheng	Independent Non-executive Director	11	11
Wang Jixin *	Independent Non-executive Director	7	7
Ning Jiming	Independent Non-executive Director	11	11
Yang Jinguan	Independent Non-executive Director	11	11
Hao Shuchen *	Independent Non-executive Director	4	4

* Mr. Hao Shuchen was no longer an Independent Non-executive Director of the Company upon conclusion of the Company's AGM held on 8 June 2011; Mr. Wang Jixin was elected Independent Non-executive Director of the Company at the AGM held on 8 June 2011.

DIRECTOR'S RESPONSIBILITIES IN RESPECTIVE OF FINANCIAL STATEMENTS

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

After specific inquiries with all Directors and Supervisors, the Directors and Supervisors of the Company have complied with the relevant codes on securities transactions by directors and supervisors set out in the Model Code and the Code on Trading of the Company's Securities by Directors (Supervisors) of Huadian Power International Corporation Limited during the year ended 31 December 2011.

AUDIT COMMITTEE

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

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

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

The Audit Committee held five meetings on 28 March, 8 June, 17 August, 25 October and 28 December of 2011 respectively, the average attendance of which was 100%. The attendance of each Director was as follows:

Director	Times of Attendance / Times of Meeting	Attendance Rate
Yang Jinguan	5/5	100%
Wang Yuesheng	5/5	100%
Ning Jiming	5/5	100%
Wang Yingli	5/5	100%
Chu Yu	5/5	100%

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

INTERNAL CONTROL

The Board of the Company is the decision-making organ for internal control and responsible for establishing and implementing effective internal control systems of the Company, and takes the ultimate responsibility for the internal control system of the Company. The Board understands its responsibility for ensuring the soundness, appropriateness and effectiveness of the internal control system of the Company so as to provide rational guarantee for attainment of the objectives of the Company. The Audit Committee, the management and external auditors are committed to improving the internal control system of the Company. The Board reviewed the effectiveness of the relevant systems through the Audit Committee during the year and supervised annual report through Audit Committee and Independent Board Committee. The Supervisory Committee of the Company supervises the establishment and implementation of internal control by the Board of Directors. The Company's management is responsible for the daily operation of internal control of the enterprises. The Audit Committee of the Board is responsible for reviewing the internal control of the Company, supervising the effective execution of the internal control and self-evaluation of the internal control, and coordinating the audit of the internal control and other relevant matters. The working place of the Audit Committee is located at the Supervision and Audit Department of the Company. Subsidiaries have set up internal control supervisory organizations or positions, which are responsible for promoting the improvement and evaluation of internal control system under the leadership of their respective boards of directors.

Further system perfection and effectiveness evaluations were carried out in respect of internal control in 2011. In accordance with the Application Guidelines for Enterprise Internal Control issued by the five ministries and commissions of the PRC including the Ministry of Finance, the Company launched a further overhaul of its internal control system and that of its subsidiaries, releasing the Internal Control Manual, formulating the pivotal Management Process Manual, setting up the Risk Database and drawing up the Evaluation Manuscript, all of which has put in place a relatively sound and well-functioning internal control system.

In 2011, the evaluation on the internal controls of the Company and its subsidiaries covered operation control, financial control, compliance control and risk management under the guidance of Basic Framework of Internal Control and Risk Management issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the Basic Norms of Corporate Internal Control jointly issued by five ministries (including Ministry of Finance of the People's Republic of China). Based on the results of evaluation, the Audit Committee of the Board prepared the draft of Internal Control Self-evaluation Report, the draft of which was considered and approved at the 8th meeting of the 6th session of the Board of Directors. The Internal Control Self-evaluation Report concluded that: without material internal control defects being discovered in the evaluation, it is convinced that: in 2011, the Company is in full compliance with the provisions relating to internal control as set out in the Code of the Hong Kong Listing Rules, and the existing internal control mechanism of the Company is effective in preventing significant risks and management fraud and in controlling important workflow as required by relevant PRC regulations and securities regulatory authorities. The Board (including the Audit Committee) also considered that the Company has sufficient resources and staff members who are qualified and experienced in accounting and financial reporting. The relevant staff members have taken sufficient training courses and the Company has an adequate budget.

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

REMUNERATION AND APPRAISAL COMMITTEE

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

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

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

The Remuneration and Appraisal Committee held 2 meetings on 28 March 2011 and 8 June 2011 respectively. A new Remuneration and Appraisal Committee was elected on 8 June 2011, comprising Wang Yuesheng, Ning Jiming, Yang Jinguan, Chen Feihu and Wang Yingli; Hao Shuchen no longer served as a member of the committee. Attendance of each member is as follows:

Director	Times of Attendance / Times of Meeting	Attendance Rate
Wang Yuesheng	1/1	100%
Ning Jiming	2/2	100%
Yang Jinguan	2/2	100%
Chen Feihu	2/2	100%
Wang Yingli	2/2	100%
Hao Shuchen	1/1	100%

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

ANNUAL SALARY SCHEME FOR THE GENERAL MANAGER IN 2011

In order to provide the necessary safeguard for the accomplishment of the strategic targets for the year 2011 and to ensure completion of the annual missions of the Board, the Company linked the annual salary scheme for the General Manager with the annual operating performance of the Company with reference to the Company's actual circumstances.

Based on the Company's development strategies, external environmental changes, annual performance results, wage level of employees and other factors, and with reference to the salary level of the listed peers, the Remuneration and Appraisal Committee determined the annual basic salary plan for the General Manager in 2011 in line with such principles as integration of incentives and constraints, combination of short-term and long-term incentives, priority to efficiency while giving considerations to impartiality, and combination of material and ideological incentives, subject to the approval of the Board before implementation of such plan.

MOTIVATION AND APPRAISAL METHODS FOR OTHER SENIOR MANAGEMENT IN 2011

In order to secure the accomplishment of the strategic targets for the year 2011 and to ensure completion of the annual missions of the Board, the Remuneration and Appraisal Committee formulated the motivation and assessment methods for other senior management members (including the Deputy General Managers, the Financial Controller, Chief Engineer and the Secretary to the Board, hereinafter referred to as the "Relevant Senior Management Members") in 2011 with reference to the Company's actual circumstances, and the annual base salary plan for the General Manager, and in line with the performance-based and integration of incentives and constraints principles. The motivation and appraisal methods for the Relevant Senior Management Members are carried out by the Remuneration and Appraisal Committee upon approval of the Board.

ALLOWANCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2011, each of the Independent Non-executive Directors, namely, Wang Yuesheng, Ning Jiming and Yang Jinguan, was paid the independent directors' allowance of approximately RMB70,000 (before tax), and Independent Non-executive Director, namely, Hao Shuchen was paid the independent director's allowance of approximately RMB39,500 (before tax) and Independent Non-executive Director, namely, Wang Jixin was paid the independent director's allowance of approximately RMB30,500 (before tax) by the Company.

REMUNERATION (ALLOWANCE) OF DIRECTORS, SUPERVISORS AND THE SENIOR MANAGEMENT IN 2011 (BEFORE INCOME TAX)

Name	Position	Remuneration (allowance)** of Directors, Supervisors and Senior Management *(RMB0'000)*
Yun Gongmin	Chairman, Non-executive Director	0
Chen Feihu	Vice Chairman, Non-executive Director	0
Chen Dianlu	Vice Chairman, Non-executive Director	0
Chen Jianhua	Executive Director, General Manager	76.70
Wang Yingli	Non-executive Director	0
Chen Bin	Non-executive Director	0
Zhong Tonglin	Executive Director, Deputy General Manager	76.70
Chu Yu	Non-executive Director	0
Wang Yuesheng	Independent Non-executive Director	7
Wang Jixin*	Independent Non-executive Director	3.05
Ning Jiming	Independent Non-executive Director	7
Yang Jinguan	Independent Non-executive Director	7
Hao Shuchen*	Independent Non-executive Director	3.95
Li Xiaopeng	Chairman of the Supervisory Committee	0
Peng Xingyu	Supervisor	0
Chen Bin	Supervisor	60.77
Zhou Lianqing	Secretary to the Board and Company Secretary	54.29
Wang Wenqi*	Deputy General Manager	63.05
Luo Xiaoqian*	Deputy General Manager	41.02
Wang Hui	Deputy General Manager	62.50
Peng Guoquan	Deputy General Manager	62.67
Xing Shibang	Deputy General Manager	61.93
Chen Cunlai	Chief Financial Officer	62.09
Wang Huiming*	Deputy General Manager	20.56
Xie Yun	Chief Engineer	61.90

* Mr. Wang Jixin began to serve as an Independent Non-executive Director of the Company from 8 June 2011; Mr. Hao Shuchen was no longer an Independent Non-executive Director of the Company from 8 June 2011; Mr. Wang Wenqi was no longer a Deputy General Manager of the Company from 28 March 2012; Mr. Luo Xiaoqian began to serve as a Deputy General Manager of the Company from 28 April 2011 while Mr. Wang Huiming was no longer a Deputy General Manager of the Company from 18 August 2011.

** Remunerations paid to senior management members of the Company did not include deferred payment: Mr. Chen Jianhua's deferred payment for 2011 was RMB86,700; Mr. Zhong Tonglin's deferred payment was RMB86,700; Mr. Wang Wenqi's deferred payment was RMB72,800; Mr. Luo Xiaoqian's deferred payment was RMB48,100; Mr. Wang Hui's deferred payment was RMB71,500; Mr. Peng Guoquan's deferred payment was RMB72,200; Mr. Xing Shibang's deferred payment was RMB70,100; Mr. Chen Cunlai's deferred payment was RMB70,800; Mr. Chen Bin's deferred payment was RMB69,400; Mr. Wang Huiming's deferred payment was RMB23,100; Mr. Xie Yun's deferred payment was RMB70,100; and Mr. Zhou Lianqing's deferred payment was RMB60,700.

NOMINATION OF DIRECTORS

On 28 March 2012, the Company set up a Nomination Committee, which is a body specifically set up by the Board according to the resolution of the general meeting, and mainly responsible for making recommendations to the Board on the procedures, standards and qualifications of electing and appointing Directors and senior management of the Company.

The incumbent Nomination Committee is headed by Mr. Ning Jiming (an Independent Non-executive Director) as its chairman and composed of Mr. Chen Bin (a Non-executive Director), Ms. Wang Yingli (a Non-executive Director), Mr. Wang Jixin (an Independent Non-executive Director), and Mr. Wang Yuesheng (an Independent Non-executive Director) as members.

Previously, the Board, the Supervisory Committee or shareholders have been responsible for the nomination of Directors directly. They chose and recommended candidates for Directors according to the relevant standards, including recommendations by others and, when necessary, making use of services of recruitment agencies. The relevant standards include an appropriate level of professional knowledge of such director and his/her experience in the industry, personal integrity, calibre and commitment on devotion of time.

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

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

On 30 March 2011, the Company held the 24th meeting of the fifth session of the Board of the Company, which was chaired by Vice Chairman Mr. Chen Feihu and attend by the 12 Directors in person or by proxy. In particular, Mr. Yun Gongmin entrusted Mr. Chen Feihu to attend such meeting on his behalf. The Board considered and passed the proposal for re-election of the Board of the Company at the meeting, agreeing to submit the candidates for the sixth session of the Board of the Company (comprising Yun Gongmin, Chen Feihu, Chen Dianlu, Chen Jianhua, Wang Yingli, Chen Bin, Zhong Tonglin, Chu Yu, Wang Yuesheng, Ning Jiming, Yang Jinguan and Wang Jixin) to the 2010 AGM of the meeting for consideration and approval.

AUDITORS

For the year ended 31 December 2011, the Company paid RMB12 million of audit service fees to KPMG and KPMG Huazhen. There were no other fees paid for their services. The audit fees were considered by the Audit Committee and the Board and approved at the general meeting.

The Audit Committee has resolved to re-appoint KPMG and KPMG Huazhen to conduct the statutory audit for the financial statements for the financial year of 2012 according to IFRSs and China Accounting Standards for Business Enterprises respectively. The resolution was approved by the Board and is subject to the final approval and authorisation by the shareholders at the forthcoming 2011 Annual General Meeting.

INVESTOR RELATIONS

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

The previous annual general meeting was held in Beijing on 8 June 2011, at which the Chairman, the chairman of the Audit Committee and the chairman of the Remuneration and Appraisal Committee answered questions. At the general meeting, each matter was put forward in form of a separate proposal and voted by way of poll.

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

For any enquiry addressed to the Board, shareholder can contact the Secretary to the Board through shareholder hotlines (8610-83567779, 83567900 or 83567905) or by email (hdpi@hdpi.com.cn) or by fax (8610-83567963), or raise the questions at the annual general meeting or the extraordinary general meeting. Enquiry can also be made through the above means to the Secretary to the Board for procedures concerning convening an annual general meeting or extraordinary general meeting and putting forward a proposal.

By Order of the Board
Yun Gongmin
Chairman

Beijing, the PRC
28 March 2012

Supervisory Committee Report

To Shareholders,

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

In 2011, the Supervisory Committee attended the Board meetings and major activities of the Company and learned about the development and operating situation of the Company. We are of the opinion that the management has kept its promises and abided by the relevant laws through its significant contribution to the Company's operation, development and production management. We consider that the Company's management has been performing its duties in an effective and appropriate manner and in the ultimate interests of shareholders.

I WORK OF THE SUPERVISORY COMMITTEE IN 2011

In 2011, the Supervisory Committee of the Company convened 5 meetings, details of which are as follows:

1. The 13th meeting of the 5th session of the Supervisory Committee was convened on 30 March 2011 at China Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid.

   For details, please refer to the announcement of resolutions passed by Supervisory Committee dated 30 March 2011.

2. The 14th meeting of the 5th session of the Supervisory Committee was convened on 28 April 2011 at China Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid. At the meeting the Supervisory Committee was briefed on the analysis of business operation in the first quarter of 2011, and considered and approved the Company's first Quarterly Report of 2011 and Summary of Quarterly Report prepared in accordance with the Listing Rules of Shanghai Stock Exchange.

3. The 1st meeting of the 6th session of the Supervisory Committee was convened on 8 June 2011 at Beijing Longxi Hotspring Resort, Shunjing Road 8, Panggezhuang, Daxing District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid. The Proposal in Relation to the Election of Chairman of the Supervisory Committee was considered and approved thereat, with election of Mr. Li Xiaopeng as Chairman of the 6th session of the Supervisory Committee approved.

4. The 2nd meeting of the 6th session of the Supervisory Committee was convened on 18 August 2011 at Taishan Hotel, No. 8 An Ning Bei Li, Xi San Qi, Haidian District, Beijing. Three Supervisors of the Company attended the meeting and the meeting was lawful and valid.

   For details, please refer to the announcement of resolutions passed by Supervisory Committee dated 18 August 2011.

5. The 3rd meeting of the 6th session of the Supervisory Committee was convened on 25 October 2011 at China Huadian Tower, No. 2 Xuanwumennei Street, Xicheng District, Beijing. Three Supervisors of the Company Li Xiaopeng, Peng Xingyu and Chen Bin attended the meeting and the meeting was lawful and valid. At the meeting the Supervisory Committee was briefed on the analysis of business operation in the third quarter of 2011, and considered and approved the Company's third Quarterly Report of 2011 and Summary of Quarterly Report prepared in accordance with the Listing Rules of Shanghai Stock Exchange.

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

The Supervisory Committee has supervised over the whole process of preparation for the Company's annual report. The Supervisory Committee maintained constant communication with the Company's external auditors by listening to the descriptions of such external auditors together with Independent Directors and the Audit Committee about the audit plan, audit progress, audit findings and preliminary audit opinions; kept constantly informed of the Company's business and operation status by participating in the annual inspection organized by the Company, regularly reviewing the Monthly Report submitted by the Company, and listening to the management's explanation in respect of the annual results forecast and significant events; and maintained ongoing supervision over the annual report by carefully examining the results forecast, the 2011 financial report of the Company before, during and after the audit, the profit distribution plan of the Company for 2011 and other materials.

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

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

The Supervisory Committee has carefully reviewed the Company's Report of the Final Financial Statements for 2011, 2011 Profit Distribution Plan of the Company, 2011 Annual Report, 2011 Unqualified Auditors' Reports prepared by the international auditors and domestic auditors of the Company and other relevant information in respect of the year 2011.

We are of the opinion that the Company's Report of the Final Financial Statements for 2011 was reliable, which objectively reflected the financial standing and operating results of the Company. The Supervisory Committee agreed with the auditors' reports for the Company and its 2011 Profit Distribution Plan.

IV SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON USE OF THE LAST RAISED PROCEEDS

The last proceeds of the Company were raised from the non-public issue of new A shares completed on 1 December 2009. The use of the proceeds was consistent with the Company's undertaking in its prospectus.

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

In 2011, the Group mainly acquired 85% equity interest in Haoyuan Company, 51% equity interest in Wenhui Company, 100% equity interest in Shunge Mine, 100% equity interest in Shuozhou Thermal Power, 100% equity interest in Huoxing Company and 100% equity interest in Xiexing Company, and disposed of 40% equity interest in Chizhou Company.

The consideration for the aforesaid acquisitions and disposals was fair and reasonable, and no insider trading was found and no circumstances were noted which may damage the interests of shareholders or result in any loss of assets of the Company during these acquisitions and disposals.

VI SUPERVISORY COMMITTEE'S INDEPENDENT OPINION ON THE COMPANY'S CONNECTED TRANSACTIONS

Major new connected transactions entered into in 2011 include:

1. Continuing connected transaction in relation to the renewal of the Framework Agreement for Purchase (Supply) of Coal, Equipment and Services with China Huadian;

2. Continuing connected transaction in relation to the renewal of Financial Services Agreement with Huadian Finance;

3. Connected transaction entered into with Shanxi Energy in relation to the acquisition of 100% equity interest held by it in Huadian Shuozhou Thermal Power Generation Company Limited;

4. Connected transaction entered into with China Huadian in relation to the subscription by China Huadian for A shares under the Company's non-public issue;

5. Continuing borrowing framework agreement entered into with China Huadian for a term of three years; and

6. Continuing borrowing framework agreement entered into with Shandong International Trust Corporation for a term of three years.

We are of the opinion that the consideration for the above transactions of the Company was reasonable; the connected transactions were fair; and the acquisition transactions were in the interests of the Company and shareholders as a whole.

VII SUPERVISORY COMMITTEE'S REVIEW OF THE INTERNAL CONTROL SELF-EVALUATION REPORT

During the reporting period, the Supervisors attended the work meetings of the Board and the Audit Committee under the Board as non-voting participants, debriefed reports on the construction, implementation and examination of the Company's internal control measures to bring into full play its guiding and supervisory roles. The Supervisory Committee has examined the Evaluation Report of the Board in respect of Internal Controls of the Company for 2011, as well as the construction and operation of the internal control system, and is of the opinion that the Company has put in place a fairly sound internal control system and ensured its effective implementation. The self-evaluation report on the internal control of the Company has given a truthful and objective view of the construction and implementation details of the Company's internal control system.

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

Chairman of the Supervisory Committee
Li Xiaopeng

Beijing, the PRC
28 March 2012

Corporate Information

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

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

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

COMPANY PUBLICATIONS

The Company's 2011 Annual Reports were published in April 2012. Copies of the annual reports are available for inspection at:

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

Report of The International Auditors

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

We have audited the consolidated financial statements of Huadian Power International Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 34 to 87, which comprise the consolidated and company balance sheets as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

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

28 March 2012

Consolidated statement of comprehensive income

For the year ended 31 December 2011
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2011 RMB'000	2010 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		**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	13(a)	**(29,919)**	(116,536)
Profit for the year		**135,074**	85,885
Other comprehensive income for the year (after tax and reclassification adjustments)	15		
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	16	**RMB 0.011**	RMB 0.025

The notes on pages 39 to 87 form part of these financial statements.

Consolidated balance sheet

As at 31 December 2011
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2011	2010
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	18(a)	**96,349,034**	79,401,144
Construction in progress	19	**19,184,853**	23,146,683
Lease prepayments	20	**1,767,175**	1,447,561
Intangible assets	21(a)	**6,000,786**	4,764,132
Interests in associates	23	**10,445,042**	9,041,315
Interest in a jointly controlled entity		**—**	227,237
Other investments	24	**337,523**	304,282
Other non-current assets	25	**1,557,536**	339,203
Deferred tax assets	36(b)	**415,090**	285,109
		136,057,039	118,956,666
Current assets			
Inventories	26	**2,777,508**	1,760,239
Trade debtors and bills receivable	27	**5,241,261**	3,980,674
Deposits, other receivables and prepayments	28	**2,466,111**	2,531,283
Tax recoverable		**42,673**	66,101
Restricted deposits	29	**362,535**	30,678
Cash and cash equivalents	30	**2,111,725**	1,235,758
		13,001,813	9,604,733
Current liabilities			
Bank loans	31(a)	**28,895,130**	23,266,864
Loans from shareholders	31(b)	**969,390**	2,000,000
State loans	31(c)	**16,140**	13,401
Other loans	31(d)	**5,427,823**	6,284,470
Short-term debenture payables	31(e)	**3,551,384**	3,008,983
Amounts due to the parent company		**83,145**	79,165
Obligations under finance lease	32	**143,119**	—
Trade creditors and bills payable	33	**6,683,683**	7,739,963
Other payables	34	**8,107,792**	4,203,566
Tax payable	36(a)	**126,072**	63,815
		54,003,678	46,660,227
Net current liabilities		**(41,001,865)**	(37,055,494)
Total assets less current liabilities		**95,055,174**	81,901,172
Non-current liabilities			
Bank loans	31(a)	**50,705,010**	43,915,573
Loans from shareholders	31(b)	**2,271,006**	1,371,375
State loans	31(c)	**87,239**	103,699
Other loans	31(d)	**8,671,216**	4,769,347
Medium-term notes	31(f)	**3,863,579**	5,346,441
Obligations under finance lease	32	**487,178**	—
Long-term payables	35	**737,123**	1,234,710
Deferred government grants		**752,389**	650,991
Deferred income	37	**1,190,240**	577,866
Deferred tax liabilities	36(b)	**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	38(c)	**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

Approved and authorised for issue by the board of directors on 28 March 2012.

Chen Jianhua
Director

Zhong Tonglin
Director

The notes on pages 39 to 87 form part of these financial statements.

Balance sheet

As at 31 December 2011
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2011	2010
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	18(b)	8,016,827	8,513,511
Construction in progress	19	807,130	662,231
Lease prepayments	20	134,257	145,711
Intangible assets	21(b)	50,029	51,818
Investments in subsidiaries	22	25,214,553	20,749,232
Interests in associates	23	6,274,830	6,270,137
Interest in a jointly controlled entity		—	142,800
Other investments	24	166,309	160,309
Other non-current assets	25	965,271	771,932
		41,629,206	37,467,681
Current assets			
Inventories	26	434,782	336,178
Trade debtors and bills receivable	27	858,853	669,905
Amounts due from subsidiaries		3,052,011	2,527,198
Deposits, other receivables and prepayments		252,028	142,456
Tax recoverable	36(a)	23,903	23,907
Cash and cash equivalents	30	421,704	156,819
		5,043,281	3,856,463
Current liabilities			
Bank loans	31(a)	11,756,325	8,758,390
Loans from shareholders	31(b)	250,000	2,000,000
State loans	31(c)	6,809	12,510
Other loans	31(d)	3,152,977	2,500,000
Short-term debenture payables	31(e)	3,551,384	3,008,983
Amounts due to the parent company		82,945	78,965
Amounts due to subsidiaries		713,444	49,072
Trade creditors and bills payable	33	424,873	1,051,349
Other payables	34	3,344,721	540,409
		23,283,478	17,999,678
Net current liabilities		(18,240,197)	(14,143,215)
Total assets less current liabilities		23,389,009	23,324,466
Non-current liabilities			
Bank loans	31(a)	2,071,944	1,140,369
Loans from shareholders	31(b)	143,127	115,920
State loans	31(c)	8,145	15,249
Other loans	31(d)	2,692,000	1,400,000
Medium-term notes	31(f)	3,863,579	5,346,441
Deferred government grants		102,681	105,113
Deferred tax liabilities	36(b)	46,791	47,250
		8,928,267	8,170,342
NET ASSETS		14,460,742	15,154,124
CAPITAL AND RESERVES	38(a)		
Share capital		6,771,084	6,771,084
Reserves		7,689,658	8,383,040
TOTAL EQUITY		14,460,742	15,154,124

Approved and authorised for issue by the board of directors on 28 March 2012.

Chen Jianhua
Director

Zhong Tonglin
Director

The notes on pages 39 to 87 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2011
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Attributable to equity shareholders of the Company									
	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Revaluation reserve	Fair value reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 *(note38(c))*	*RMB'000* *(note38(d)(i))*	*RMB'000* *(note38(d)(ii))*	*RMB'000*	*RMB'000* *(note38(d)(iii))*	*RMB'000* *(note38(d)(iv))*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2011	6,771,084	4,814,219	1,465,465	68,089	44,726	5,359	3,007,029	16,175,971	5,686,850	21,862,821
Profit for the year	—	—	—	—	—	—	73,814	73,814	61,260	135,074
Other comprehensive income *(note 15)*	—	—	—	—	—	(7,992)	—	(7,992)	(120)	(8,112)
Total comprehensive income for the year	—	—	—	—	—	(7,992)	73,814	65,822	61,140	126,962
Acquisition of subsidiaries *(note 42)*	—	—	—	—	—	—	—	—	1,354,518	1,354,518
Acquisition of control over a jointly controlled entity *(note 41)*	—	—	—	—	—	—	—	—	240,248	240,248
Acquisition of non-controlling interests	—	—	—	—	—	—	(375)	(375)	(44,027)	(44,402)
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	308,014	308,014
Contribution from the parent company	—	39,833	—	—	—	—	—	39,833	9,537	49,370
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(94,169)	(94,169)
Disposal of a subsidiary	—	—	—	—	—	—	—	—	(7,147)	(7,147)
Appropriation of general reserve	—	—	13,956	—	—	—	(13,956)	—	—	—
Appropriation of maintenance and production funds	—	—	3,268	—	—	—	(3,268)	—	—	—
Others	—	3,822	—	—	—	—	—	3,822	—	3,822
Balance at 31 December 2011	6,771,084	4,857,874	1,482,689	68,089	44,726	(2,633)	3,063,244	16,285,073	7,514,964	23,800,037
Balance at 1 January 2010	6,771,084	4,631,340	1,417,924	68,089	44,726	22,007	3,131,012	16,086,182	5,218,976	21,305,158
Profit for the year	—	—	—	—	—	—	169,897	169,897	(84,012)	85,885
Other comprehensive income *(note 15)*	—	—	—	—	—	(16,648)	—	(16,648)	(77)	(16,725)
Total comprehensive income for the year	—	—	—	—	—	(16,648)	169,897	153,249	(84,089)	69,160
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	334,291	334,291
Acquisition of non-controlling interests	—	—	—	—	—	—	(9,351)	(9,351)	(36,503)	(45,854)
Capital injection from non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	322,138	322,138
Contribution from the parent company	—	24,769	—	—	—	—	—	24,769	1,507	26,276
Dividends approved for equity shareholders of the Company *(note 38(b))*	—	—	—	—	—	—	(236,988)	(236,988)	—	(236,988)
Dividends approved for non-controlling equity holders of subsidiaries	—	—	—	—	—	—	—	—	(69,470)	(69,470)
Appropriation of general reserve	—	—	47,541	—	—	—	(47,541)	—	—	—
Others	—	158,110	—	—	—	—	—	158,110	—	158,110
Balance at 31 December 2010	6,771,084	4,814,219	1,465,465	68,089	44,726	5,359	3,007,029	16,175,971	5,686,850	21,862,821

The notes on pages 39 to 87 form part of these financial statements.

Consolidated cash flow statement

For the year ended 31 December 2011
(Prepared under International Financial Reporting Standards)
(Expressed in Renminbi)

	Note	2011	2010
		RMB'000	RMB'000
Operating activities			
Cash received from customers and others		**63,534,557**	53,268,813
Cash paid to suppliers, employees and others		**(56,688,039)**	(47,072,527)
Cash generated from operations		**6,846,518**	6,196,286
Interest paid		**(5,670,106)**	(3,978,417)
Enterprise income tax paid		**(123,877)**	(145,549)
Enterprise income tax refunded		**10,001**	7,985
Net cash generated from operating activities		**1,062,536**	2,080,305
Investing activities			
Payment for the purchase of property, plant and equipment, construction in progress and intangible assets		**(12,324,893)**	(13,468,672)
Cash received for the upfront connection and installation fees for heating networks		**679,522**	—
Proceeds from sale of property, plant and equipment		**10,631**	87,202
Payment for the acquisition of control over a jointly controlled entity and subsidiaries, net of cash		**(1,452,759)**	(1,982,125)
Payment for the acquisition of subsidiaries in prior years		**(100,997)**	(218,700)
Payment for the acquisition of associates		**(111,100)**	(2,450,282)
Investment prepayments paid		**(333,443)**	(170,810)
Capital injection in associates		**(46,480)**	(1,739,404)
Capital injection in other investments		**(6,000)**	(5,000)
Cash received from disposal of investments		**105,656**	745,017
Interest received		**64,760**	22,259
Dividends received		**283,624**	142,304
Other net cash proceeds relating to investing activities		**96,457**	1,611
Net cash used in investing activities		**(13,135,022)**	(19,036,600)
Financing activities			
Proceeds from borrowings		**62,017,376**	63,952,583
Repayment of borrowings		**(48,267,847)**	(47,336,765)
Proceeds from government grants		**140,354**	236,735
Proceeds from bank acceptance bills receivable discounted		**52,000**	922,081
Repayment of bank acceptance bills payable		**(644,000)**	(644,184)
Payment for the acquisition of non-controlling interests		**(39,995)**	(45,854)
Payment for the disposal of non-controlling equity holders of a subsidiary		**(7,147)**	—
Capital injection from non-controlling equity holders of subsidiaries		**218,699**	284,360
Dividends paid to non-controlling equity holders of subsidiaries		**(25,274)**	(76,404)
Dividends paid to equity shareholders of the Company		**—**	(236,988)
Increase in restricted deposits		**(262,857)**	(27,072)
Other net cash outflow relating to financing activities		**(232,856)**	(78,339)
Net cash generated from financing activities		**12,948,453**	16,950,153
Net increase/(decrease) in cash and cash equivalents		**875,967**	(6,142)
Cash and cash equivalents at 1 January		**1,235,758**	1,241,900
Cash and cash equivalents at 31 December	30	**2,111,725**	1,235,758

The notes on pages 39 to 87 form part of these financial statements.

Notes to the financial statements

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

1 BACKGROUND OF THE COMPANY

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

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

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 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 (see note 2(f)).

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

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

Judgement made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 46.

(c) Subsidiaries and non-controlling interests

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(d) Associates and jointly controlled entities

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

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

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

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

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

When the Group's interest in an associate is reduced resulting from a dilution (while maintaining the original significant influence), the Group recognises a dilution gain or loss in profit or loss which is equivalent to the difference between the carrying amounts of the investment in the associate, immediately before and after the transaction that resulted in the dilution. The carrying amount of the investment in the associate after the transaction is determined by multiplying the new (reduced) ownership interest in the associate by the amount of net assets after the transaction.

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

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

(e) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

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

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

(f) Other investments in debt and equity securities

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

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

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

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

(g) Property, plant and equipment

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

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

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

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

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

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

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

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

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

(h) Construction in progress

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

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

(i) Intangible assets (other than goodwill)

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

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

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

Concession assets	25 years
Development right of hydropower	45 years
Others	5 - 10 years

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

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

The estimated useful life of an intangible asset in a service concession arrangement is a 25 year period from the date when the concession contract was signed.

Both the period and method of amortisation are reviewed annually.

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

(j) 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 is included in fixed assets 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 2(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(l). 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 instalments 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 recognised 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 amortised on a straight-line basis over the period of the lease term.

(k) Lease prepayments

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

(l) Impairment of assets

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

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

— significant financial difficulty of the debtor;

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Impairment of assets *(continued)*

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

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

— For investments in subsidiaries, associates and jointly controlled entities (including those recognised using the equity method (see note 2(d))), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(l)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(l)(ii).

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

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

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

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

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

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

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

(ii) Impairment of other assets

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

— property, plant and equipment;

— construction in progress;

— lease prepayments;

— intangible assets;

— other non-current assets (other than financial assets); and

— goodwill.

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

— Calculation of recoverable amount

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

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(l) Impairment of assets *(continued)*

(ii) Impairment of other assets *(continued)*

— Recognition of impairment losses

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

— Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

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

(m) Inventories

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

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

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

(n) Trade and other receivables

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

(o) Interest-bearing borrowings

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

(p) Trade and other payables

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

(q) 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(r) Financial guarantees issued and provisions

(i) Financial guarantees issued

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

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

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

(ii) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group 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.

(s) Revenue recognition

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

(i) Electricity income

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

(ii) Heat income

Heat income is recognised when heat is supplied to customers.

(iii) Sale of coal

Revenue associated with the sale of coal is recognised when the risks and rewards to the ownership of the goods have been passed to the customer.

(iv) Service concession construction revenue

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

(v) Dividend income

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

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(vi) Interest income

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

(vii) Government grants

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

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(s) Revenue recognition *(continued)*

(viii) Certified Emission Reductions ("CERs") income

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

— the counterparties have committed to purchase the CERs;

— the sales prices have been agreed; and

— relevant electricity has been generated.

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

(ix) Upfront connection and installation fee

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

(t) Major overhauls, repairs and maintenance

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

(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 recognised in profit or loss.

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

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

(v) Income tax

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(v) Income tax *(continued)*

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

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

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

  — the same taxable entity; or

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

(w) Borrowing costs

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

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

(x) Employee benefits

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

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

(ii) Termination benefits

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

(y) Research and development costs

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

(z) Related parties

(a) A person, or a close member of that person's family is related to the Group if that person:

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

  (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

  (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

  (iii) Both entities are joint ventures of the same third party.

  (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

  (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

  (vi) The entity is controlled or jointly controlled by a person identified in (a).

  (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Notes to the financial statements (Continued)

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2 SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

(aa) Segment reporting

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

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

(bb) Dividends

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

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued 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.

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*. The disclosures about the Group's financial instruments in notes 31 and 45 have been conformed to the amended disclosure requirements. 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.

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

The Group's customers are mainly local power grid companies. There is only one customer sales with whom have exceeded 10% of the Group's revenue. In 2011, revenue from sale of electricity to this customer, including sales to entities which are known to the Group to be under common control with this customer, amounted to approximately RMB 24,818,648,000 (2010: RMB 23,641,671,000). Details of concentration of credit risk arising from this customer are set out in note 45(b).

5 PERSONNEL COSTS

	2011	2010
	RMB'000	*RMB'000*
Wages, welfare and other benefits	**1,623,198**	1,240,962
Retirement costs *(note 40)*	**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 41)*	**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 15)*	**—**	338
	724,914	504,951

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 *(note 37)*	**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 (note 47) of the Group, substantially all construction activities are sub-contracted. Therefore, when the Group recognised 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.

Notes to the financial statements (Continued)

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10 PROFIT BEFORE TAXATION

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

	2011 RMB'000	2010 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 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

	Directors' and supervisors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Retirement benefits RMB'000	Bonuses RMB'000	Deferred compensation plan RMB'000	2011 Total RMB'000
Directors						
Yun Gongmin	—	—	—	—	—	—
Chen Feihu	—	—	—	—	—	—
Chen Dianlu	—	—	—	—	—	—
Chen Jianhua	—	381	39	347	87	854
Wang Yingli	—	—	—	—	—	—
Chen Bin	—	—	—	—	—	—
Zhong Tonglin	—	381	39	347	87	854
Chu Yu	—	—	—	—	—	—
Independent non-executive directors						
Wang Yuesheng	—	70	—	—	—	70
Hao Shuchen	—	30	—	—	—	30
Ning Jiming	—	70	—	—	—	70
Yang Jinguan	—	70	—	—	—	70
Wang Jixin	—	40	—	—	—	40
Supervisors						
Peng Xingyu	—	—	—	—	—	—
Li Xiaopeng	—	—	—	—	—	—
Chen Bin	—	307	23	278	69	677
	—	1,349	101	972	243	2,665

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

12 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2010: two) are directors whose emoluments are disclosed in note 11. The aggregate of the emoluments of the remaining three highest paid individuals (2010: three) are as follows:

	2011	2010
	RMB'000	*RMB'000*
Salaries and other emoluments	**925**	921
Retirement benefits	**91**	107
Bonuses	**866**	718
Deferred compensation plan	**217**	180
	2,099	1,926

The emoluments of the three (2010: three) individuals with the highest emoluments are within the following bands:

	2011	2010
	Number of individuals	*Number of individuals*
HK$ Nil - 1,000,000	**3**	3

13 INCOME TAX IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

	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 *(note 36(b))*		
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

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

	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**164,993**	202,421
Notional PRC enterprise income tax expense at a statutory tax rate of 25% (2010: 25%)	**41,248**	50,605
Tax effect of non-deductible expenses	**19,641**	78,077
Tax effect of non-taxable income	**(341,520)**	(201,979)
Preferential tax rate on subsidiaries' profit or loss *(note)*	**(89,033)**	(87,095)
Tax effect of tax losses	**400,040**	276,451
(Over)/under-provision in respect of previous years	**(457)**	477
	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%).

Notes to the financial statements (Continued)

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14 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated loss attributable to ordinary equity shareholders of the Company includes a loss of RMB 1,181,312,000 (2010: RMB 44,946,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2011	2010
	RMB'000	*RMB'000*
Amount of consolidated loss attributable to shareholders dealt with in the Company's financial statements	**(1,181,312)**	(44,946)
Final dividends from subsidiaries, associates and a jointly controlled entity attributable to the profits of the previous financial year, approved and paid during the year	**479,531**	159,611
Gain on disposal of associates attributable to gains of the previous years	**—**	29,902
The Company's (loss)/profit for the year	**(701,781)**	144,567

15 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 *(note 36(b))*	**850**	5,846
Net movement in the fair value reserve recognised for the year in other comprehensive income	**(8,112)**	(16,725)

16 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company for the year ended 31 December 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.

17 SEGMENT REPORTING

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

18 PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Buildings	Generators, machinery and equipment	Mining structures and mining rights	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2010	20,258,815	62,439,458	1,756,148	1,326,186	85,780,607
Additions	44,048	11,147	3,269,469	104,774	3,429,438
Through acquisition of subsidiaries	2,359,370	4,333,606	—	68,787	6,761,763
Transferred from construction in progress *(note 19)*	3,449,006	4,733,955	—	126,064	8,309,025
Disposals	(75,812)	(334,317)	—	(26,218)	(436,347)
At 31 December 2010 and at 1 January 2011	26,035,427	71,183,849	5,025,617	1,599,593	103,844,486
Additions	—	7,341	—	51,301	58,642
Through acquisition of subsidiaries and control over a jointly controlled entity	588,853	1,107,315	2,283,042	21,828	4,001,038
Transferred from construction in progress *(note 19)*	7,595,107	10,439,708	179,481	79,601	18,293,897
Net decrease arising from sales and leaseback transaction	—	(17,802)	—	—	(17,802)
Disposals	(31,283)	(134,912)	—	(11,175)	(177,370)
At 31 December 2011	34,188,104	82,585,499	7,488,140	1,741,148	126,002,891
Accumulated depreciation:					
At 1 January 2010	3,999,079	15,648,825	—	630,102	20,278,006
Charge for the year	889,455	3,514,554	—	156,035	4,560,044
Written back on disposals	(37,794)	(332,575)	—	(24,339)	(394,708)
At 31 December 2010 and at 1 January 2011	4,850,740	18,830,804	—	761,798	24,443,342
Charge for the year	1,060,907	4,175,729	5,849	163,398	5,405,883
Written back on sales and leaseback transaction	—	(24,301)	—	—	(24,301)
Written back on disposals	(28,541)	(131,762)	—	(10,764)	(171,067)
At 31 December 2011	5,883,106	22,850,470	5,849	914,432	29,653,857
Net book value:					
At 31 December 2011	28,304,998	59,735,029	7,482,291	826,716	96,349,034
At 31 December 2010	21,184,687	52,353,045	5,025,617	837,795	79,401,144

18 PROPERTY, PLANT AND EQUIPMENT *(CONTINUED)*

(b) The Company

	Buildings	Generators, machinery and equipment	Motor vehicles, furniture, fixtures, equipment and others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2010	5,202,116	14,477,730	524,949	20,204,795
Additions	—	1,234	17,735	18,969
Transferred from construction in progress *(note 19)*	225,957	138,886	6,645	371,488
Transferred to subsidiaries	—	—	(5,820)	(5,820)
Disposals	(57,386)	(289,376)	(6,101)	(352,863)
At 31 December 2010 and at 1 January 2011	5,370,687	14,328,474	537,408	20,236,569
Additions	—	539	9,811	10,350
Transferred from construction in progress *(note 19)*	66,748	279,065	8,831	354,644
Transferred to subsidiaries	—	—	(487)	(487)
Disposals	—	—	(465)	(465)
At 31 December 2011	5,437,435	14,608,078	555,098	20,600,611
Accumulated depreciation:				
At 1 January 2010	2,319,395	8,562,870	310,505	11,192,770
Charge for the year	189,522	650,079	23,048	862,649
Transferred to subsidiaries	—	—	(2,101)	(2,101)
Written back on disposals	(35,307)	(288,951)	(6,002)	(330,260)
At 31 December 2010 and at 1 January 2011	2,473,610	8,923,998	325,450	11,723,058
Charge for the year	194,103	646,110	21,043	861,256
Transferred to subsidiaries	—	—	(79)	(79)
Written back on disposals	—	—	(451)	(451)
At 31 December 2011	2,667,713	9,570,108	345,963	12,583,784
Net book value:				
At 31 December 2011	2,769,722	5,037,970	209,135	8,016,827
At 31 December 2010	2,897,077	5,404,476	211,958	8,513,511

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's property, plant and equipment, which had an aggregate net book value of RMB104,422,000 as at 31 December 2011 (2010: RMB 111,383,000).

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

19 CONSTRUCTION IN PROGRESS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**23,146,683**	19,315,995	**662,231**	1,576,000
Through acquisition of subsidiaries and control over a jointly controlled entity	**2,376,260**	1,616,038	**—**	—
Additions	**11,970,161**	12,996,227	**592,040**	247,311
Transferred to property, plant and equipment *(note 18)*	**(18,293,897)**	(8,309,025)	**(354,644)**	(371,488)
Transferred to lease prepayments	**(10,854)**	—	**(180)**	—
Transferred to intangible assets *(note 21)*	**(3,500)**	(2,472,552)	**—**	—
Transferred to subsidiaries	**—**	—	**(92,317)**	(789,592)
At 31 December	**19,184,853**	23,146,683	**807,130**	662,231

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's construction in progress, which had an aggregate net book value of RMB1,669,841,000 as at 31 December 2011 (2010: Nil).

20 LEASE PREPAYMENTS

Lease prepayments represent cost of land use rights and sea use right paid to the PRC's land bureau and oceanic bureau respectively.

Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's lease prepayment , which had an aggregate net book value of RMB 157,683,000 as at 31 December 2011 (2010: RMB 161,225,000).

21 INTANGIBLE ASSETS

(a) The Group

	The Group					
	Goodwill	Land use rights	Concession assets	Development right of hydropower	Others	Total
	RMB'000	*RMB'000*	*RMB'000* *(Note 47)*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:						
At 1 January 2010	280,231	834,839	—	—	15,846	1,130,916
Through acquisition of subsidiaries	682,866	—	—	—	2,923	685,789
Transferred from construction in progress *(note 19)*	—	—	2,472,552	—	—	2,472,552
Additions	—	—	565,187	—	3,508	568,695
At 31 December 2010 and at 1 January 2011	963,097	834,839	3,037,739	—	22,277	4,857,952
Through acquisition of subsidiaries and control over a jointly controlled entity	—	58,610	—	1,382,954	13	1,441,577
Transferred from construction in progress *(note 19)*	—	—	—	—	3,500	3,500
Additions	—	—	(78,446)	—	7,785	(70,661)
Disposal of subsidiaries	(395)	—	—	—	—	(395)
Net decrease arising from sales and leaseback transaction	—	—	(12,407)	—	—	(12,407)
At 31 December 2011	962,702	893,449	2,946,886	1,382,954	33,575	6,219,566
Accumulated amortisation:						
At 1 January 2010	—	—	—	—	4,132	4,132
Charge for the year	—	—	86,118	—	3,570	89,688
At 31 December 2010 and at 1 January 2011	—	—	86,118	—	7,702	93,820
Charge for the year	—	—	142,274	—	4,093	146,367
Written back on sales and and leaseback transaction	—	—	(21,407)	—	—	(21,407)
At 31 December 2011	—	—	206,985	—	11,795	218,780
Net book value:						
At 31 December 2011	962,702	893,449	2,739,901	1,382,954	21,780	6,000,786
At 31 December 2010	963,097	834,839	2,951,621	—	14,575	4,764,132

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

Development right of hydropower was obtained through acquisition of Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("Shuiluohe Company"). As at the acquisition date, Shuiluohe Company had nine preliminary hydropower projects which had already obtained road slip (preliminarily approval) from Development and Reform Commission of Sichuan Province. Professional valuer has issued valuation report on the fair value of the nine preliminary hydropower projects of Shuiluohe Company. As at the acquisition date, the Company allocated the amount of the development right of hydropower by reference to both the consideration transferred and the fair value estimated by professional valuer. Amortisation of development right of preliminary hydropower with finite useful lives is charged to profit or loss on a straight-line basis over the asset's estimated useful lives when preliminary hydropower plants begin operation.

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

21 INTANGIBLE ASSETS *(CONTINUED)*

(b) The Company

	The Company		
	Goodwill	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 1 January 2010	45,457	9,765	55,222
Additions	—	25	25
At 31 December 2010 and at 1 January 2011	45,457	9,790	55,247
Transferred from construction in progress *(note 19)*	—	180	180
At 31 December 2011	45,457	9,970	55,427
Accumulated amortisation:			
At 1 January 2010	—	1,472	1,472
Charge for the year	—	1,957	1,957
At 31 December 2010 and at 1 January 2011	—	3,429	3,429
Charge for the year	—	1,969	1,969
At 31 December 2011	—	5,398	5,398
Net book value:			
At 31 December 2011	45,457	4,572	50,029
At 31 December 2010	45,457	6,361	51,818

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

Impairment tests for cash generating units containing goodwill

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

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

22 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Unlisted investments, at cost	**25,214,553**	20,749,232

22 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

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

Name of company	Paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
	RMB'000	%	%	%	
Sichuan Guang'an Power Generation Company Limited 四川廣安發電有限責任公司 ("Guang'an Company")	1,785,860	80	80	—	Generation and sale of electricity
Huadian Qingdao Power Generation Company Limited 華電青島發電有限公司	700,000	55	55	—	Generation and sale of electricity and heat
Huadian Weifang Power Generation Company Limited 華電濰坊發電有限公司 ("Weifang Company") *(note (i))*	1,250,000	45	45	—	Generation and sale of electricity and heat
Weifang Taihe Heat Company Limited 濰坊泰和熱力有限公司 *(note (i)&(ii))*	50,000	36	—	80	Development of heat company
Huadian Zibo Thermal Power Company Limited 華電淄博熱電有限公司	374,800	100	100	—	Generation and sale of electricity and heat
Huadian Zhangqiu Power Generation Company Limited 華電章丘發電有限公司	750,000	87.5	87.5	—	Generation and sale of electricity and heat
Huadian Tengzhou Xinyuan Thermal Power Company Limited 華電滕州新源熱電有限公司	474,172	93.26	93.26	—	Generation and sale of electricity and heat
Huadian Xinxiang Power Generation Company Limited 華電新鄉發電有限公司	385,100	90	90	—	Generation and sale of electricity
Anhui Huadian Suzhou Power Generation Company Limited 安徽華電宿州發電有限公司	854,914	97	97	—	Generation and sale of electricity
Huadian Ningxia Lingwu Power Generation Company Limited 華電寧夏靈武發電有限公司	1,738,131	65	65	—	Generation and sale of electricity
Sichuan Huadian Luding Hydropower Company Limited 四川華電瀘定水電有限公司	1,266,090	100	100	—	Generation and sale of electricity
Huadian Qingdao Heat Company Limited 華電青島熱力有限公司 ("Qindao Heat Company")	30,000	55	55	—	Sale of heat
Huadian Zouxian Power Generation Company Limited 華電鄒縣發電有限公司	3,000,000	69	69	—	Generation and sale of electricity
Huadian Ningxia Ningdong Wind Power Company Limited 華電寧夏寧東風電有限公司	150,000	100	100	—	Generation and sale of electricity
Anhui Huadian Wuhu Power Generation Company Limited 安徽華電蕪湖發電有限公司	1,000,000	65	65	—	Generation and sale of electricity
Huadian Suzhou Biomass Energy Power Company Limited 華電宿州生物質能發電有限公司	52,480	78	78	—	Generation and sale of electricity
Huadian Inner Mongolia Kailu Wind Power Company Limited 華電內蒙古開魯風電有限公司	797,128	100	100	—	Generation and sale of electricity
Huadian Luohe Power Generation Company Limited 華電漯河發電有限公司	525,500	75	75	—	Generation and sale of electricity and heat
Hangzhou Huadian Banshan Power Generation Company Limited 杭州華電半山發電有限公司 ("Banshan Company")	480,762	64	64	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Thermal Power Company Limited 河北華電石家莊熱電有限公司 ("Shijiazhuang Company")	789,740	82	82	—	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited 河北華電石家莊裕華熱電有限公司	500,000	89.2	—	100	Generation and sale of electricity and heat
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited 河北華電石家莊鹿華熱電有限公司	380,000	90	90	—	Generation and sale of electricity and heat

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22 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

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

Name of company	Paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
	RMB'000	*%*	*%*	*%*	
Hebei Huadian Complex Pumping-storage Power Company Limited 河北華電混合蓄能水電有限公司 ("Hebei Company")	10,000	100	100	—	Generation and sale of electricity
Huadian International Shandong Project Company Limited 華電國際山東項目管理有限公司	3,000	100	100	—	Management of construction project
Huadian International Shandong Information Company Limited 華電國際山東信息管理有限公司	3,000	100	100	—	Development and maintenance of information system to the Group
Huadian International Shandong Materials Company Limited 華電國際物資有限公司	50,000	100	100	—	Procurement of materials
Xinxiang Huadian Heat Company Limited 新鄉華電熱力有限公司	24,570	90	—	100	Development of heat company
Tengzhou Xinyuan Heat Company Limited 滕州新源熱力有限公司	30,000	65.28	—	70	Sale of heat
Sichuan Huadian Zagunao Hydroelectric Development Company Limited 四川華電雜谷腦水電開發有限責任公司 ("Zagunao Company")	727,723	64	64	—	Generation and sale of electricity
Huadian Laizhou Wind Power Generation Company Limited 華電萊州風電有限公司	146,060	55	55	—	Generation and sale of electricity
Hebei Huarui Energy Group Corporation Limited 河北華瑞能源集團有限公司	538,000	100	100	—	Generation and sale of electricity and heat
Hebei Huafeng Investment Company Limited 河北華峰投資有限公司	977,300	100	—	100	Energy projects investment
Hebei Fengyuan Industrial Company Limited 河北峰源實業有限公司	102,000	100	—	100	Sale of coal and chemical products
Shanxi Maohua Energy Investment Company Limited 山西茂華能源投資有限公司 ("Maohua Company")	1,547,000	100	100	—	Investment and management in coal, electricity and heat industry
Shanxi Shuozhou Pinglu Maohua Dongyi Coal Company Limited 山西朔州平魯區茂華東易煤業有限公司	12,180	70	—	70	Resources consolidation, improvement and expansion services
Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited 山西朔州萬通源二鋪煤業有限公司	10,000	70	—	70	Resources consolidation, improvement and expansion services
Hebei Huadian Guyuan Wind Power Company Limited 河北華電沽源風電有限公司	336,100	100	100	—	Generation and sale of electricity
Huadian Ningxia Ningdong Shangde Solar Energy Company Limited 華電寧夏寧東尚德太陽能發電有限公司	38,000	60	60	—	Generation and sale of electricity
Huadian Kezuozhongqi Wind Power Company Limited 華電科左中旗風電有限公司	80,000	100	100	—	Generation and sale of electricity
Shandong Century Electric Power Development Corporation Limited 山東百年電力發展股份有限公司	488,000	84.31	84.31	—	Generation and sale of electricity and heat
Shaoguan Pingshi Power Plant Company Limited (Plant B) 韶關市坪石發電廠有限公司(B廠)	889,000	100	100	—	Generation and sale of electricity
Huadian Laizhou Power Generation Company Limited 華電萊州發電有限公司	435,000	75	75	—	Development of coal-fired power plant
Hebei Huadian Kangbao Wind Power Company Limited 河北華電康保風電有限公司	55,000	100	100	—	Development of wind power plant

22 INVESTMENTS IN SUBSIDIARIES *(CONTINUED)*

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

Name of company	Paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
	RMB'000	%	%	%	
Anhui Huadian Lu'an Power Plant Company Limited 安徽華電六安電廠有限公司	114,930	95	95	—	Development of coal-fired power plant
Huadian Qudong Power Generation Company Limited 華電渠東發電有限公司	317,940	90	90	—	Development of coal-fired power plant
Huadian Zoucheng Heat Company Limited 華電鄒城熱力有限公司	80,000	70	70	—	Sale of heat
Shantou Huadian Power Generation Company Limited 汕頭華電發電有限公司	30,000	51	51	—	Development of coal-fired power plant
Guangdong Huadian Shaoguan Thermal Power Company Limited 廣東華電韶關熱電有限公司	30,000	100	100	—	Development of coal-fired power plant
Huadian Ningxia Yueliangshan Wind Power Company Limited 華電寧夏月亮山風電有限公司	95,000	100	100	—	Development of wind power plant
Shijiazhuang Heat Company 石家莊華電供熱集團有限公司	207,370	100	100	—	Generation and sale of heat
Hebei Huadian Yuzhou Wind Company Limited 河北華電蔚州風電有限公司	120,000	100	—	100	Development of wind power plant
Ningxia Zhongning Power Generation Company Limited 寧夏中寧發電有限責任公司 ("Zhongning Power") *(note 41)*	285,600	50	50	—	Generation and sale of electricity
Huadian Ningxia Liupanshan Wind Power Company Limited 華電寧夏六盤山風電有限公司 *(note ii)*	15,000	100	100	—	Development of wind power plant
Huadian Laizhou Port Company Limited 華電萊州港務有限公司 ("Laizhou Port Company") *(note ii)*	107,565	65	65	—	Port construction and operation (under construction)
Huadian Laizhou Wind Power Company Limited 華電萊州風力發電有限公司 *(note ii)*	40,000	100	100	—	Development of wind power plant
Anhui Wenhui New Products Promotion Company Limited 安徽文匯新產品推廣有限公司 ("Wenhui Company") *(note 42(a))*	50,000	51	51	—	Research, development, promotion and sales of new product (under construction)
Anhui Hualin International Energy Company Limited 安徽華麟國際能源有限公司 *(note 42(a))*	50,000	51	51	—	Investment on coal mine resources (under construction)
Inner Mongolia Haoyuan Coal Company Limited 內蒙古浩源煤炭有限公司 ("Haoyuan Company") *(note 42(c))*	3,000	85	85	—	Sales of mining equipment and components
Inner Mongolia Alax League Shunge Mining Industry Company Limited 內蒙古阿拉善盟順舸礦業有限責任公司 ("Shunge Company") *(note 42(b))*	3,000	100	100	—	Coal mine improvement and sales of mining equipment (under construction)
Sichuan Huoxing Investment Company Limited 四川活興投資有限責任公司 ("Huoxing Company") *(note 42(d))*	263,750	100	100	—	Investment on hydropower resources
Sichuan Xiexing Investment Company Limited 四川協興投資有限責任公司 ("Xiexing Company") *(note 42(d))*	300,000	100	100	—	Investment on hydropower resources
Shuiluohe Company 水洛河公司 *(note 42(d))*	400,000	57	—	57	Development of hydropower plant

Notes:

(i) According to the articles of association of these companies, the Company holds majority of members in the board of directors of these companies and therefore has the power to govern the financial and operating policies of these companies as to obtain benefits from their activities.

(ii) These companies were newly set up in 2011.

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

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23 INTERESTS IN ASSOCIATES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted investments, at cost	**—**	—	**6,554,766**	6,779,226
Share of net assets	**10,445,042**	9,041,315	**—**	—
	10,445,042	9,041,315	**6,554,766**	6,779,226
Less: impairment loss	**—**	—	**(279,936)**	(509,089)
	10,445,042	9,041,315	**6,274,830**	6,270,137

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

Name of company	Paid up capital	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
	RMB'000	*%*	*%*	*%*	
Ningxia Power Generation Company (Group) Limited 寧夏發電集團有限責任公司 ("Ningxia Power Company")	3,551,970	23.66	23.66	—	Generation and sale of electricity and investment holding
Huadian Property 華電置業有限公司 *(note (i))*	1,747,500	16.57	16.57	—	Property development
Sichuan Luzhou Chuannan Power Generation Company Limited 四川瀘州川南發電有限責任公司	915,000	40	40	—	Generation and sale of electricity
Huadian Coal 華電煤業集團有限公司 *(note (i))*	3,657,143	12.56	11.82	0.90	Provision of coal procurement service
China Huadian Finance Corporation Limited 中國華電集團財務有限公司 ("China Huadian Finance") *(note (i))*	5,000,000	15.91	14.93	1.53	Provision of corporate financial service to its group companies
Hengshui Hengxing Power Generation Company Limited 衡水恒興發電有限責任公司 ("Hengxing Company")	475,000	30	—	30	Generation and sale of electricity and heat
Hebei Jiantou Yuzhou Wind Power Company Limited 河北建投蔚州風能有限公司	364,000	44.08	—	44.08	Generation and sale of electricity
Hebei Xibaipo Second Power Generation Company Limited 河北西柏坡第二發電有限責任公司 ("Xibaipo Company")	880,000	35	—	35	Generation and sale of electricity and heat
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited 國電內蒙古東勝熱電有限公司	500,000	20	—	20	Generation and sale of electricity and heat
Xingtai Guotai Power Generation Company Limited 邢臺國泰發電有限責任公司 ("Guotai Company")	400,000	35	—	35	Generation and sale of electricity and heat
Guodian Huai'an Thermal Power Company Limited 國電懷安熱電有限公司	514,800	35	—	35	Generation and sale of electricity and heat
Otog Front Banner Changcheng Mine Company Limited 鄂托克前旗長城煤礦有限責任公司 ("Changcheng Mine Company")	23,077	35	35	—	Sale of mines machinery and accessory
Inner Mongolia Fucheng Mining Company Limited 內蒙古福城礦業有限公司 ("Fucheng Mining Company")	150,000	35	35	—	Sale of ores steels products
Otog Front Banner Quanhui Trading Company Limited 鄂托克前旗權輝商貿有限公司	5,000	35	35	—	Production and sale of coal (under construction)
Otog Front Banner Baihui Trading Company Limited 鄂托克前旗百匯商貿有限公司	5,000	35	35	—	Production and sale of coal (under construction)
Otog Front Banner Zhengtai Trading Company Limited 鄂托克前旗正泰商貿有限公司	6,770	35	35	—	Production and sale of coal (under construction)
Linfen City Changfa Coal Coke Company Limited 臨汾市長發煤焦實業有限公司 ("Lingfen Changfa Company") *(note (i))*	10,000	19.75	—	33	Refined coal, coke and etc. wholesale and retail (under construction)

23 INTERESTS IN ASSOCIATES *(CONTINUED)*

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

Name of company	Paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
	RMB'000	*%*	*%*	*%*	
Ningdong Railway Corporation Limited 寧東鐵路股份有限公司 ("Ningdong Railway Company") *(note (i))*	3,000,000	10	10	—	Railway development and management
Ningxia Yinxing Coal Company Limited 寧夏銀星煤業有限公司	611,000	45	45	—	Development of coal mines
Sichuan balanghe Hydropower Development Company Limited 四川巴郎河水電開發有限責任公司 *(Note (ii))*	120,000	20	—	20	Generation and sale of electricity
Sichuan Zhongxing Power Development Company Limited 四川中興電力發展有限公司 *(note (ii))* ("Zhongxing Power Company")	10,000	32	—	32	Generation and sale of electricity
Sichuang Litang Heyuan Hydropower Development Company Limited 四川理塘河源水電開發有限責任公司 *(note (ii))*	20,000	20	—	20	Development of hydropower plant
Datang Xiangcheng Tangdian Hydropower Development Company Limited 大唐鄉城唐電水電開發有限責任公司 *(note (ii))*	400,245	49	—	49	Development of hydropower plant
Datang Derong Tangdian Hydropower Development Company Limited 大唐得榮唐電水電開發有限責任公司*(note (ii))*	40,000	49	—	49	Development of hydropower plant
Shuozhou Tong-coal Wantongyuan Erpu Coal Tranportation and Sales Company Limited 朔州同煤萬通源二鋪煤炭運銷有限公司 ("Erpu Coal Transportation and Sales Company") *(note (iii))*	10,000	49	—	49	Development of coal mine

Notes:

(i) According to the articles of association of these companies, the Company has the representation in the board of directors and therefore can participate in the financial and operating policy of these companies so as to have significant influence in their activities.

(ii) These companies were acquired through the acquisition of Huoxing Company and Xiexing Company in 2011 *(note 42(d))*.

(iii) This company was acquired by Maohua Company in 2011.

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

Summary financial information on associates:

	Assets	Liabilities	Equity	Revenues	Profit
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
2011					
100 percent	**113,129,059**	**(78,639,130)**	**34,489,929**	**30,413,247**	**2,713,606**
Group's effective interest	**34,222,360**	**(23,777,318)**	**10,445,042**	**6,241,247**	**556,872**
2010					
100 percent	100,047,678	(63,850,487)	36,197,191	29,969,799	1,435,251
Group's effective interest	24,533,600	(15,492,285)	9,041,315	7,580,813	322,792

24 OTHER INVESTMENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted equity securities, at cost	**298,017**	261,376	**166,309**	160,309
Listed available-for-sale equity securities in PRC	**39,506**	42,906	**—**	—
	337,523	304,282	**166,309**	160,309

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25 OTHER NON-CURRENT ASSETS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
— Long-term receivables from subsidiaries	**—**	—	**361,018**	501,122
— Other long-term receivables	**86,365**	68,393	**—**	—
Prepayment for the proposed investments	**604,253**	270,810	**604,253**	270,810
Deductible VAT and other tax	**776,918**	—	**—**	—
Deposits for sales and and leaseback transaction	**90,000**	—	**—**	—
	1,557,536	339,203	**965,271**	771,932

Other long-term receivables are neither past due nor impaired and bear floating interest rate ranging from 4.00% to 6.65% per annum (2010: 5.76%).

26 INVENTORIES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Coal, gas and stalk	**2,012,683**	1,210,681	**258,735**	164,630
Fuel oil	**129,696**	93,865	**25,977**	32,725
Materials, components and spare parts	**635,129**	455,693	**150,070**	138,823
	2,777,508	1,760,239	**434,782**	336,178

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

27 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade debtors and bills receivable for the sale of electricity	**4,931,608**	3,752,420	**841,545**	662,257
Trade debtors and bills receivable for the sale of heat	**248,075**	234,386	**17,208**	5,338
Trade debtors and bills receivable for other operations	**68,328**	13,778	**100**	2,310
	5,248,011	4,000,584	**858,853**	669,905
Less: allowance for doubtful debts *(note 27(b))*	**(6,750)**	(19,910)	**—**	—
	5,241,261	3,980,674	**858,853**	669,905

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.

(a) Ageing analysis

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Current	**4,929,209**	3,807,966	**858,767**	669,905
Less than 1 year past due	**207,581**	165,642	**86**	—
1 to 2 years past due	**100,119**	2,493	**—**	—
2 to 3 years past due	**—**	—	**—**	—
More than 3 years past due	**4,352**	4,573	**—**	—
Amount past due	**312,052**	172,708	**86**	—
	5,241,261	3,980,674	**858,853**	669,905

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.

27 TRADE DEBTORS AND BILLS RECEIVABLE *(CONTINUED)*

(b) Impairment of trade debtors and bills receivable

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

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**19,910**	32,633	**—**	—
Impairment loss recognised	**100**	—	**—**	—
Reversal of impairment loss	**(13,260)**	(12,723)	**—**	—
At 31 December	**6,750**	19,910	**—**	—

At 31 December 2011, the Group's trade debtors and bills receivable totalling of RMB 13,895,000 (2010: RMB 24,483,000) were individually determined to be impaired. None of the Company's trade debtors and bills receivable were individually determined to be impaired. Management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowance for doubtful debts of RMB 6,750,000 (2010: RMB 19,910,000) was recognised. The Group does not hold any collateral over these balances.

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

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**4,929,209**	3,807,966	**858,767**	669,905
Less than 1 year past due	**207,581**	165,642	**86**	—
1 to 2 years past due	**97,326**	2,493	**—**	—
	5,234,116	3,976,101	**858,853**	669,905

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

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

28 DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

Deposits, other receivables and prepayments of RMB 2,466,111,000 as at 31 December 2011 (2010: RMB 2,531,283,000) of the Group mainly represent prepayment for purchasing inventories and materials, receivables on CERs, deductible VAT recoverable and other receivables.

29 RESTRICTED DEPOSITS

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

30 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash at bank and in hand	**1,028,743**	630,937	**373,655**	126,343
Cash at other financial institutions	**1,077,982**	574,513	**48,049**	30,476
Deposits with banks and other financial institutions	**5,000**	30,308	**—**	—
	2,111,725	1,235,758	**421,704**	156,819

31 BORROWINGS

(a) Bank loans

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within 1 year				
— short term bank loans	**20,898,886**	17,856,330	**10,356,325**	7,896,120
— current portion of long term bank loans	**7,996,244**	5,410,534	**1,400,000**	862,270
	28,895,130	23,266,864	**11,756,325**	8,758,390
After 1 year but within 2 years	**7,135,207**	6,844,177	**910,494**	400,000
After 2 years but within 5 years	**16,480,920**	13,402,142	**1,161,450**	740,369
After 5 years	**27,088,883**	23,669,254	**—**	—
	50,705,010	43,915,573	**2,071,944**	1,140,369
	79,600,140	67,182,437	**13,828,269**	9,898,759

All of the bank loans are unsecured, except for amounts totalling RMB 11,848,413,000 (2010: RMB 12,096,533,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity and trade debtors for the sale of electricity, amounts totalling RMB 35,000,000 (2010: RMB Nil) which are secured by the inventory with carrying value of RMB 53,250,000 (2010: RMB Nil), and loans amounting to RMB 3,350,216,000 (2010: RMB 2,004,720,000) which are secured by lease prepayments, construction in progress and property plant and equipment with an aggregate carrying value of RMB 1,931,946,000 (2010: RMB 272,608,000) of subsidiaries. None of the bank loans contain financial covenants.

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Renminbi loans		
Floating interest rates mainly ranging from 4.86% to 9.31% per annum as at 31 December 2011 (2010: 4.37% to 6.40%), with maturities up to 2036	**71,317,103**	50,890,459
Fixed interest rates mainly ranging from 4.86% to 7.87% per annum as at 31 December 2011 (2010: 3.60% to 5.56%), with maturities up to 2014	**6,790,649**	14,811,829
US dollar loans		
Floating interest rates mainly ranging from 2.92% to 5.60% per annum as at 31 December 2011 (2010: 1.80% to 4.34%), with maturities up to 2017	**800,900**	1,347,581
Fixed interest rates mainly ranging from 3.35% to 6.50% per annum as at 31 December with maturities up to 2013	**579,684**	—
EUR loans		
Fixed interest rate of 2.25% per annum as at 31 December 2011 (2010: 2.25%), with maturity up to 2022	**111,804**	132,568
	79,600,140	67,182,437

31 BORROWINGS *(CONTINUED)*

(a) Bank loans *(continued)*

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Renminbi loans		
Floating interest rates mainly ranging from 5.49% to 7.22% per annum as at 31 December 2011 (2010: 4.37% to 5.27%), with maturities up to 2014	**11,280,432**	2,570,370
Fixed interest rates mainly ranging from 5.45% to 7.22% per annum as at 31 December 2011 (2010: 4.37% to 5.00%), with maturities up to 2012	**1,198,000**	6,017,000
US dollar loans		
Floating interest rates mainly ranging from 2.92% to 5.60% per annum as at 31 December 2011 (2010: 1.80% to 3.73%), with maturities up to 2012	**770,153**	1,311,389
Fixed interest rates mainly ranging from 3.35% to 6.50% per annum as at 31 December with maturities up to 2013	**579,684**	—
	13,828,269	9,898,759

The Group and the Company have US dollar bank loans amounting to US$ 219,108,967 (2010: US$ 203,479,081) and US$ 214,229,086 (2010: US$ 198,014,406) respectively. The Group has EUR bank loan amounting to EUR 13,697,215 (2010: EUR 15,053,416).

(b) Loans from shareholders

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within 1 year				
— short term shareholders loans	**967,390**	1,250,000	**250,000**	1,250,000
— current portion of long term shareholders loans	**2,000**	750,000	**—**	750,000
	969,390	2,000,000	**250,000**	2,000,000
After 1 year but within 2 years	**563,827**	—	**—**	—
After 2 years but within 5 years	**1,605,339**	1,270,875	**143,127**	115,920
After 5 years	**101,840**	100,500	**—**	—
	2,271,006	1,371,375	**143,127**	115,920
	3,240,396	3,371,375	**393,127**	2,115,920

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Loans from Shandong International Trust Corporation ("SITC")		
Floating interest rates ranging from 6.89% to 9.18% per annum as at 31 December 2011 (2010: 4.59% to 5.76%), with maturities up to 2013	**450,000**	1,700,000
Fixed interest rate ranging from 6.3% to 7.70% per annum as at 31 December 2011 (2010: 4.82%), with maturity up to 2013	**1,078,507**	300,000
Loans from China Huadian		
Fixed interest rates ranging from 4.15% to 6.90% per annum as at 31 December 2011 (2010: 4.15% to 5.40%), with maturities up to 2021	**1,711,889**	1,371,375
	3,240,396	3,371,375

Notes to the financial statements (Continued)

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

31 BORROWINGS *(CONTINUED)*

(b) Loans from shareholders *(continued)*

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Loans from SITC		
Floating interest rates is 6.89% per annum as at 31 December 2011 (2010: 4.59% to 5.76%), with maturities up to 2012	**250,000**	1,700,000
Fixed interest rate is 4.82% per annum as at 31 December 2010, with maturities up to 2011	**—**	300,000
Loans from China Huadian		
Fixed interest rates ranging from 5.18% to 6.90% per annum as at 31 December 2011 (2010: 5.18%), with maturities up to 2015	**143,127**	115,920
	393,127	2,115,920

At 31 December 2011, except for certain loans from China Huadian of the Group and the Company with a total nominal outstanding balance of RMB 509,340,000 (2010: RMB 336,830,000) and RMB 169,710,000 (2010: RMB 140,120,000) respectively, which are non-interest bearing, all loans from SITC and China Huadian of the Group and the Company are unsecured, interest bearing based on their respective costs of funds and with repayment terms disclosed above.

(c) State loans

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Due:				
Within 1 year — current portion of long term state loans	**16,140**	13,401	**6,809**	12,510
After 1 year but within 2 years	**10,365**	17,101	**1,018**	7,103
After 2 years but within 5 years	**29,035**	33,098	**3,054**	3,055
After 5 years	**47,839**	53,500	**4,073**	5,091
	87,239	103,699	**8,145**	15,249
	103,379	117,100	**14,954**	27,759

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

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Renminbi loans		
Fixed interest rates mainly ranging from 2.55% to 2.82% per annum as at 31 December 2011 (2010: 2.55% to 2.82%), with maturities up to 2020	**11,046**	19,091
Floating interest rate of 3.80% per annum as at 31 December 2011 (2010: Nil), with maturity up to 2020	**6,136**	—
US dollar loan		
Floating interest rate of 0.66% per annum as at 31 December 2011 (2010: 0.98%), with maturity up to 2012	**5,791**	17,578
EUR loan		
Fixed interest rate is 3.09% per annum as at 31 December 2011 (2010: 3.09%), with maturity up to 2048	**80,406**	80,431
	103,379	117,100

31 BORROWINGS *(CONTINUED)*

(c) State loans *(continued)*

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Renminbi loans		
Fixed interest is 2.55% per annum as at 31 December 2011 (2010: 2.55%), with maturities up to 2020	**9,163**	10,181
US dollar loan		
Floating interest rate of 0.66% per annum as at 31 December 2011 (2010: 0.98%), with maturity up to 2012	**5,791**	17,578
	14,954	27,759

The RMB state loans represent loans of RMB 11,046,000 obtained from Ministry of Finance of the PRC in 2006 and a loan of RMB 6,136,000 obtained from Ministry of Finance of Weifang Municipal Government in 2005. All RMB state loans are unsecured.

The US dollar state loan represents a loan facility of US$ 310 million granted by the International Bank for Reconstruction and Development (the "World Bank") to the PRC State Government pursuant to a loan agreement entered into in 1992, to finance the PRC Zouxian Phase III project. According to the terms of the aforesaid loan agreement, the PRC State Government on-lent the loan facility to the Shandong Provincial Government which in turn on-lent it to SEPCO. Pursuant to a notice from the Finance Office of Shandong Province dated 5 August 1997 and as formally agreed by the World Bank, part of the loan facility in the principal amount of US$ 278.25 million was made available by the Shandong Provincial Government to the Company, and is guaranteed by SEPCO. As at 31 December 2011, the ending balance of the above state loan is US$ 0.92 million (2010: US$ 2.65 million).

The Euro state loan represents a loan facility maximum of Euro 14.5 million granted by the KfW Bankengruppe of Germany to the PRC State Government pursuant to a loan agreement entered into in December 2008 base on a series of bilateral financial cooperation agreements between The Federal Republic of Germany and the PRC State Government. The loan is to finance the Qingdao central heating system under the Energy Efficiency programme. The PRC State Government on-lent the loan facility to Qingdao Heat Company through China Agricultural Bank and is guaranteed by Qingdao Finance Bureau. As at 31 December 2011, the total amount of the above state loan is Euro 9.85 million (2010: Euro 9.13 million).

(d) Other loans

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Due:				
Within 1 year				
— short term other loans	**4,852,863**	5,193,000	**3,149,977**	2,300,000
— current portion of long term other loans	**574,960**	1,091,470	**3,000**	200,000
	5,427,823	6,284,470	**3,152,977**	2,500,000
After 1 year but within 2 years	**3,780,890**	1,744,580	**2,003,000**	1,200,000
After 2 years but within 5 years	**3,031,680**	2,212,860	**304,000**	200,000
After 5 years	**1,858,646**	811,907	**385,000**	—
	8,671,216	4,769,347	**2,692,000**	1,400,000
	14,099,039	11,053,817	**5,844,977**	3,900,000

31 BORROWINGS *(CONTINUED)*

(d) Other loans *(continued)*

All of the other loans are unsecured except for amounts totalling RMB 2,508,450,000 (2010: RMB 428,292,000) in respect of certain subsidiaries, which are secured by the income stream in respect of the sale of electricity of these subsidiaries. All of the other loans are denominated in RMB. Details of the interest rates and maturity dates of other loans are as follows:

	The Group	
	2011	2010
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rates ranging from 5.35% to 7.05% per annum as at 31 December 2011 (2010: 4.86% to 5.76%), with maturities up to 2025	**5,926,085**	4,428,217
Fixed interest rates ranging from 6.06% to 6.65% per annum as at 31 December 2011 (2010: 4.59% to 5.00%), with maturities up to 2012	**560,000**	3,690,000
Others		
Floating interest rates ranging from 5.64% to 8.53% per annum as at 31 December 2011 (2010: 4.44% to 5.60%), with maturities up to 2021	**5,098,391**	2,042,600
Fixed interest rates ranging from 5.90% to 7.22% per annum as at 31 December 2011 (2010: 4.62% to 5.10%), with maturities up to 2012	**2,514,563**	893,000
	14,099,039	11,053,817

	The Company	
	2011	2010
	RMB'000	*RMB'000*
Loans from China Huadian Finance		
Floating interest rate is 6.65% per annum as at 31 December 2011 (2010: 5.27%), with maturities up to 2014	**295,000**	200,000
Fixed interest rates is from 4.59% to 5.00% per annum as at December 2010, with maturities up to 2011	**—**	2,250,000
Others		
Floating interest rates ranging from 5.60% to 7.76% per annum as at 31 December 2011 (2010: 4.93% to 5.60%), with maturities up to 2017	**3,394,700**	1,400,000
Fixed interest rates is ranging from 5.90% to 6.56% per annum as at 31 December 2011 (2010: 4.78%), with maturities up to 2012	**2,155,277**	50,000
	5,844,977	3,900,000

(e) Short-term debenture payables

	The Company and the Group	
	2011	2010
	RMB'000	*RMB'000*
First tranche of short-term debentures for the year of 2010	**—**	1,510,495
Second tranche of short-term debentures for the year of 2010	**—**	1,498,488
First tranche of short-term debentures for the year of 2011	**2,038,557**	—
Second tranche of short-term debentures for the year of 2011	**1,512,827**	—
	3,551,384	3,008,983

On 11 August 2011 and 20 October 2011, the Company issued the first and second tranche of short-term debentures for the year of 2011 in the PRC interbank debenture market. The first tranche was issued at a total par value of RMB 2,000,000,000 and the second tranche was issued at a total par value of RMB 1,500,000,000. The first tranche has a maturity period of 366 days and bears interest at 5.60% per annum. The second tranche has a maturity period of 366 days and bears interest at 5.98% per annum. Both tranches are unsecured.

31 BORROWINGS *(CONTINUED)*

(f) Medium-term notes

	The Group and the Company	
	2011	2010
	RMB'000	*RMB'000*
First tranche of medium-term notes for the year of 2009	**1,499,052**	1,494,556
Second tranche of medium-term notes for the year of 2009	**1,489,957**	1,485,460
First tranche of medium-term notes for the year of 2010	**2,373,622**	2,366,425
	5,362,631	5,346,441
Less: Medium-term notes due within one year	**(1,499,052)**	—
	3,863,579	5,346,441

On 17 March 2009 and 25 March 2009, the Company issued the first and second tranche of medium-term notes for the year of 2009 respectively in the PRC interbank debenture market. The first tranche are 3-year notes totalling RMB 1,500,000,000 issued at par value of RMB 100 each with an interest rate of 3.38% per annum. The second tranche are 5-year notes totalling RMB 1,500,000,000 issued at par value of RMB 100 each with an interest rate of 3.96% per annum. Both tranches of medium-term notes are unsecured.

On 30 August 2010, the Company issued the first tranche of medium-term notes for the year of 2010 in the PRC interbank debenture market. The medium-term notes are unsecured 5-year notes totalling RMB 2,400,000,000 issued at par value of RMB 100 each with an interest rate of 3.78% per annum. This tranche of medium-term notes was unsecured.

32 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	**Total minimum lease payments**
	RMB'000	***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 RMB 315,927,000, respectively.

33 TRADE CREDITORS AND BILLS PAYABLE

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

34 OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial liabilities				
— Quality guarantee deposits	**1,314,977**	1,227,356	**51,047**	48,964
— Current portion of medium-term notes	**1,499,052**	—	**1,499,052**	—
— Consideration payables on acquisitions	**1,564,316**	276,237	**1,470,144**	226,706
— Payables on mining rights	**1,017,335**	628,049	**—**	—
— Interest payables	**421,332**	293,739	**173,984**	143,327
— Wages payable	**110,055**	130,193	**19,898**	9,727
— Dividend payables to non-controlling equity owners of subsidiaries	**11,744**	7,664	**—**	—
— Others	**1,057,451**	864,481	**65,573**	76,848
Sub-total	**6,996,262**	3,427,719	**3,279,698**	505,572
Other tax payables	**320,395**	206,520	**63,479**	22,956
Receipts in advance	**791,135**	569,327	**1,544**	11,881
	8,107,792	4,203,566	**3,344,721**	540,409

Others mainly include payables on sewage charges, rental and other miscellaneous items. All of the other payables of the Group and the Company are expected to be settled or recognised as income within one year or are repayable on demand.

35 LONG-TERM PAYABLES

Long-term payables mainly represent the default bank loans undertaken by a subsidiary under guarantee agreements and a liability transfer agreement entered into between the borrowers and the subsidiaries.

36 INCOME TAX IN THE BALANCE SHEET

(a) Taxation in the balance sheet represents:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net tax recoverable at 1 January	**(2,286)**	(37,305)	**(23,907)**	(23,907)
Additions through acquisition of subsidiaries	**17,473**	34,372	**—**	—
Provision for the year *(note 13(a))*	**166,406**	137,734	**—**	—
(Over)/under provision in respect of prior years *(note 13(a))*	**(457)**	477	**4**	—
Income tax paid	**(113,876)**	(137,564)	**—**	—
Net tax payable/ (recoverable) at 31 December	**67,260**	(2,286)	**(23,903)**	(23,907)
Representing:				
Tax payable	**126,072**	63,815	**—**	—
Tax recoverable	**(58,812)**	(66,101)	**(23,903)**	(23,907)
	67,260	(2,286)	**(23,903)**	(23,907)

36 INCOME TAX IN THE BALANCE SHEET

(b) Deferred tax assets and liabilities recognised

(i) The Group

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

	At 1 January 2010	Through acquisition of subsidiaries	(Charged)/ credited to profit or loss	Credited to reserve	At 31 December 2010	Through acquisition of subsidiaries and control over a jointly controlled entity	(Charged)/ credited to profit or loss	Credited to reserve	At 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Provision for inventories and receivables	25,157	9,936	(5,824)	—	29,269	822	(3,334)	—	26,757
Depreciation of property, plant and equipment	(800,030)	(2,023)	(78,585)	—	(880,638)	(63,521)	(83,401)	—	(1,027,560)
Fair value adjustments on property, plant and equipment, construction in progress, intangible assets and equity investment	(617,707)	(666,123)	33,924	5,846	(1,244,060)	(380,753)	37,254	850	(1,586,709)
Long-term payables discounting	—	(172,163)	—	—	(172,163)	—	11,953	—	(160,210)
Expenses to be claimed on paid basis	26,545	2,948	(19,988)	—	9,505	—	(1,666)	—	7,839
Tax losses	344,615	—	96,612	—	441,227	14,745	206,071	—	662,043
Others	6,118	31,966	(4,464)	—	33,620	—	(30,847)	—	2,773
	(1,015,302)	(795,459)	21,675	5,846	(1,783,240)	(428,707)	136,030	850	(2,075,067)
			(note 13(a))	*(note 15)*		*(note 41 & 42)*	*(note 13(a))*	*(note 15)*	

(ii) The Company

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

	At 1 January 2010	Charged to profit or loss	At 31 December 2010	(Charged)/ Credit to profit or loss	At 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Provision for inventories and receivables	14,585	(446)	14,139	(93)	14,046
Fair value adjustment on equity investment	(62,280)	—	(62,280)	—	(62,280)
Expenses to be claimed on paid basis	7,695	(6,804)	891	552	1,443
	(40,000)	(7,250)	(47,250)	459	(46,791)

(iii) Reconciliation to the balance sheet

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Net deferred tax assets recognised in the balance sheet	**415,090**	285,109	**—**	—
Net deferred tax liabilities recognised in the balance sheet	**(2,490,157)**	(2,068,349)	**(46,791)**	(47,250)
Net PRC enterprise income tax recoverable	**(2,075,067)**	(1,783,240)	**(46,791)**	(47,250)

36 INCOME TAX IN THE BALANCE SHEET *(CONTINUED)*

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in note 2(v), the Group and the Company have not recognised deferred tax assets in respect of cumulative tax losses of RMB 4,640,006,000 (2010: RMB 2,989,186,000) and RMB 1,766,102,000 (2010: RMB 520,119,000) respectively. The expiration of tax losses under current tax legislation is as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
2011	**—**	23,878	**—**	—
2012	**20,391**	9,945	**—**	—
2013	**1,249,421**	1,550,174	**520,119**	520,119
2014	**27,820**	149,800	**—**	—
2015	**1,295,228**	1,255,389	**—**	—
2016	**2,047,146**	—	**1,245,983**	—
	4,640,006	2,989,186	**1,766,102**	520,119

(d) Deferred tax liability not recognised

At 31 December 2011, taxable temporary differences relating to undistributed profits and PRC statutory reserves of subsidiaries and associates amounted to RMB 2,598,200,000 (2010: RMB 1,666,129,000). No deferred tax liability was recognised in respect of these taxable temporary differences as dividends from subsidiaries and associates are not subject to PRC income tax and the Group controls the dividend policy of these subsidiaries and has no plan to dispose of these subsidiaries and associates in the foreseeable future.

37 DEFERRED INCOME

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

The upfront connection and installation fee recognised for the year amounting to RMB 50,169,000 (2010: RMB 9,613,000) is included in "Other revenue and net income" in the consolidated statement of comprehensive income (note 8).

38 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

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

	Share capital	Capital reserve	Statutory surplus reserve	Discretionary surplus reserve	Retained profits	Total equity
	RMB'000 *(note38(c))*	*RMB'000* *(note38(d)(i))*	*RMB'000* *(note38(d)(ii))*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2010	6,771,084	4,612,223	1,417,924	68,089	2,356,542	15,225,862
Appropriation	—	—	47,541	—	(47,541)	—
Contribution from the parent company	—	20,683	—	—	—	20,683
Dividends approved for equity shareholders of the Company	—	—	—	—	(236,988)	(236,988)
Total comprehensive income for the year	—	—	—	—	144,567	144,567
Balance at 31 December 2010 and 1 January 2011	6,771,084	4,632,906	1,465,465	68,089	2,216,580	15,154,124
Appropriation of general reserve	—	—	13,956	—	(13,956)	—
Contribution from the the parent company	—	8,399	—	—	—	8,399
Total comprehensive income for the year	—	—	—	—	(701,781)	(701,781)
Balance at 31 December 2011	6,771,084	4,641,305	1,479,421	68,089	1,500,843	14,460,742

38 SHARE CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(b) Dividends

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

	2011	2010
	RMB'000	*RMB'000*
Final dividend proposed after balance sheet date of RMB Nil per share (2010: RMB Nil)	—	—

Pursuant to a resolution passed at the Directors' meeting held on 28 March 2012, no dividend will be payable to shareholders for 2011, subject to the approval of the shareholders at the coming Annual General Meeting.

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

	2011	2010
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year approved and paid during the year, of RMB Nil per share (2010: RMB 0.035 per share)	—	236,988

(c) Share capital

	2011 and 2010	
	No. of shares	
	'000	*RMB'000*
Ordinary shares, registered issued and fully paid:		
A shares of RMB 1 each		
At 1 January and 31 December	5,340,056	5,340,056
H shares of RMB 1 each		
At 1 January and 31 December	1,431,028	1,431,028
Total		
At 1 January and 31 December	6,771,084	6,771,084

All shares rank pari passu in all material respects.

On 1 December 2009, the Company completed a non-public offering to target subscribers to issue 750,000,000 A shares with a nominal value of RMB 1 each at an issue price of RMB 4.70 each. The 750,000,000 shares are listed on the Shanghai Stock Exchange but are subject to a period of restriction for disposal imposed ranging from 1 to 3 years from the date of completion of the issue. As at 31 December 2011, 150,000,000 shares (2010: 150,000,000 shares) issued to target subscribers were still subject to restriction of disposal.

(d) Nature and purposes of reserves

(i) Capital reserve

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

(ii) Statutory surplus reserves

General 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 directors) of its profit after taxation, as determined under PRC accounting rules and regulations, to a statutory general surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

The statutory general surplus reserve can be used to make good previous years' losses, if any, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

Specific reserve for maintenance and production funds

Pursuant to the relevant PRC regulations for coal mining companies, the Group is required to set aside an amount to maintenance and production funds. The funds can be used for maintenance of production and improvements of safety at the mines, and are not available for distribution to shareholders.

(iii) Revaluation reserve

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

(iv) Fair value reserve

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

Notes to the financial statements (Continued)

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

38 SHARE CAPITAL, RESERVES AND DIVIDENDS *(CONTINUED)*

(e) Distributability of reserves

According to the Company's Articles of Association, the retained profits available for distribution are the lower of the amount as determined under PRC accounting rules and regulations and the amount determined under IFRSs. As of 31 December 2011, the retained profits available for distribution were RMB 1,500,843,000 (2010: RMB 2,216,580,000).

(f) Capital management

The Group's capital management objectives are:

— to ensure the Group's ability to continue as a going concern;

— to provide an adequate return to shareholders; and

— to maintain an optimal capital structure to reduce cost of capital.

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

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

The liabilities to assets ratio as at 31 December 2011 and 2010 were as follows:

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Total liabilities	**125,258,815**	106,698,578	**32,211,745**	26,170,020
Total assets	**149,058,852**	128,561,399	**46,672,487**	41,324,144
Liabilities to assets ratio	**84%**	83%	**69%**	63%

39 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with shareholders, fellow subsidiaries and associates

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

Name of related parties	Nature of relationship
China Huadian	A shareholder of the Company
SITC	A shareholder of the Company
China Huadian Engineering (Group) Corporation and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Group Capital Holdings Limited	A fellow subsidiary of the Company
CHD Power Plant Operation Co., Ltd.	A fellow subsidiary of the Company
Huadian Tendering Co., Ltd.	A fellow subsidiary of the Company
Beijing Anfu Real Estate Development Co., Ltd.	A fellow subsidiary of the Company
Huadian Technology & Trade Co., Ltd.	A fellow subsidiary of the Company
China Huadian New Energy Development Company Limited	A fellow subsidiary of the Company
China Fortune International Trust Co., Ltd.	A fellow subsidiary of the Company
Huadian Shanxi Energy Co. Ltd. and its subsidiaries	Fellow subsidiaries of the Company
China Huadian Finance	An associate of the Group
Huadian Coal	An associate of the Group
Sichuan Huayingshan Longtan Coal Company Limited ("Longtan Coal Company")	An associate of the Group
Ningxia Power Company	An associate of the Group
Baoding Huacheng Residual Thermal Power Generation Company Limited	An associate of the Group
Hengxing Company	An associate of the Group
Guotai Company	An associate of the Group
Xibaipo Company	An associate of the Group
Linfen Changfa Company	An associate of the Group
Ningdong Railway Company	An associate of the Group
Changcheng Mine Company	An associate of the Group
Fucheng Mining Company	An associate of the Group
Zhongxing Power Company	An associate of the Group
Zoucheng Lunan Electricity Power Technology Development Company Limited	An associate of the Group
Hebei Tianwei-huarui Electric Company Limited	An associate of the Group
Erpu Coal Transportation and Sales Company	An associate of the Group

39 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(continued)*

The Group had the following material transactions with shareholders, fellow subsidiaries and associates during the years ended 31 December 2011 and 2010:

	Note	2011	2010
		RMB'000	RMB'000
Sale of electricity rights to			
Associates	(i)	**125,267**	186,390
Purchase of electricity from			
Associates	(i)	**150,651**	327,235
Purchase of coal from			
China Huadian		**21,584**	—
Associates		**1,549,100**	—
Purchase of quota service from			
Fellow subsidiary		**100,000**	—
Purchase of construction service and equipment from			
Fellow subsidiaries		**427,378**	148,246
Loans obtained from			
China Huadian and other shareholder		**1,919,021**	1,593,917
An associate		**5,690,000**	7,595,000
Fellow subsidiaries		**650,000**	1,080,000
Loans repaid to			
China Huadian and other shareholder		**2,050,000**	1,946,413
An associate		**7,322,132**	3,654,539
Fellow subsidiaries		**230,000**	1,080,000
Interest expenses			
China Huadian and other shareholder		**167,035**	177,872
An associate		**519,391**	263,152
Fellow subsidiaries		**35,320**	24,845
Interest income			
Associates		**34,311**	15,664
Repair and maintenance service provided to			
Fellow subsidiaries		**4,673**	—
Rental and management fee provided from			
Fellow subsidiaries		**56,277**	56,060
Service provided from			
Associates	(ii)	**86,958**	79,776
Fellow subsidiaries	(ii)	**31,299**	1,510

39 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

(a) Transactions with shareholders, fellow subsidiaries and associates *(continued)*

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

	Note	2011	2010
		RMB'000	RMB'000
Construction and construction material prepayments			
Fellow subsidiaries		**249,515**	91,760
Trade debtors and bills receivable			
Associates		**—**	11,584
Deposits, other receivables and prepayments			
China Huadian		**8,829**	—
Associates		**241,895**	49,075
Fellow subsidiaries		**44,268**	—
Cash and cash equivalents			
Deposits with an associate		**1,077,982**	604,821
Other loans			
An associate		**(6,486,085)**	(8,118,217)
Fellow subsidiaries		**(500,000)**	(80,000)
Trade creditors and bills payable			
Fellow subsidiaries		**(268,597)**	(51,628)
Associates		**(5,997)**	(1,115)
Other payables to			
An associate		**(10,000)**	—
A fellow subsidiary		**(99,500)**	—

Notes:

(i) The amount represented sale of electricity rights to and purchase of electricity from associates under power generation substitution agreements entered into between the Group and associates.

(ii) The amounts mainly represented service fees on CERs revenue to a fellow subsidiary, transportation service fee to an associate, repair and maintenance service fee to associates and technical service fee to a fellow subsidiary.

(iii) The pricing of the above related party transactions is determined by reference to the prevailing market price of similar activities.

(iv) Details of the outstanding balances on loans from shareholders are set out in note 31(b).

(v) At 31 December 2011, Guang'an Company, a subsidiary of the Group, provided guarantees to banks for loans granted to Longtan Coal Company 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).

(vi) At 31 December 2011, China Huadian and China Huadian Finance provided guarantee to banks for loans granted to the Group amounting to RMB 3,711,804,000(2010: RMB 132,568,000).

(b) Transactions with key management personnel

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

	2011	2010
	RMB'000	RMB'000
Salaries and other emoluments	**3,782**	3,405
Retirement benefits	**332**	341
Bonuses	**3,208**	2,407
Deferred Compensation Plan	**802**	602
	8,124	6,755

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

(c) Contributions to defined contribution retirement plans

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

39 MATERIAL RELATED PARTY TRANSACTIONS *(CONTINUED)*

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

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

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

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

— sale of electricity to the grid

The Group sells substantially all its electricity to local government-related power grid companies, and the tariff of electricity is regulated by relevant government. For the year ended 31 December 2011, management estimates that the aggregate amount of the Group's significant transactions with other government-related entities are at least 95% of its sale of electricity.

— depositing and borrowing money

The Group deposits most of its cash in government-related financial institutions, and also obtains short-term and long-term loans from these banks in the ordinary course of business. The interest rates of the bank deposits and loans are regulated by the People's Bank of China. As at 31 December 2011, management estimates that the ending balance of deposits in and the loans payables to other government-related entities are at least 50% and 70%, respectively, of its total deposits and loans.

— other transactions

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

(e) Commitment with related parties

	2011	2010
	RMB'000	*RMB'000*
Capital commitment	**368,215**	85,427
Commitment on properties rental and management fees	**156,076**	70,077

40 RETIREMENT PLANS

The Group is required to make contributions to retirement plans operated by the State at range from 18% to 20% (2010: 20%) of the total staff salaries. A member of the plan is entitled to receive from the State a pension equal to a fixed proportion of his or her salary prevailing at the retirement date. In addition, the Group and its staff participate in a retirement plan managed by China Huadian to supplement the above-mentioned plan. The Group has no other material obligation to make payments in respect of pension benefits associated with these plans other than the annual contributions described above.

The Group's contribution to these plans amounted to RMB 364,094,000 during the year (2010: RMB 298,333,000) which was charged to the consolidated statement of comprehensive income.

41 ACQUISITION OF CONTROL OVER A JOINTLY CONTROLLED ENTITY

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 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

	Note	*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	36(b)	(58,007)
Total identifiable net assets		480,496

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.

41 ACQUISITION OF CONTROL OVER A JOINTLY CONTROLLED ENTITY *(CONTINUED)*

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.

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

42 ACQUISITION OF SUBSIDIARIES

(a) Acquisition of Wenhui Company and its subsidiary

On 27 May 2011, the Company obtained control of 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 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 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.

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

42 ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(b) Acquisition of Shunge Company

On 6 September 2011, the Company obtained control of 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

	Note	*RMB'000*
Trade debtors and other receivables		2,304
Inventories		2,841
Property, plant and equipment and construction in progress		831,212
Lease prepayments		4,844
Cash and cash equivalents		665
Trade creditors and other payables		(18,114)
Deferred tax liabilities	36(b)	(151,674)
Total identifiable net assets		672,078

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 Haoyuan Company

On 30 September 2011, the Company obtained control of 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.

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

	Note	*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	36(b)	(219,026)
Total identifiable net assets		813,855

42 ACQUISITION OF SUBSIDIARIES *(CONTINUED)*

(c) Acquisition of Haoyuan Company *(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.

(d) Acquisition of Huoxing Company, Xiexing Company and Shuiluohe Company

On 30 September 2011, the Company obtained control of Huoxing Company and 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 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. 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 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.

Consideration transferred

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

Identifiable assets acquired and liabilities assumed

	Note	*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	21	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

(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

43 COMMITMENTS

(a) Capital commitments

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

	The Group		The Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted for				
— Development of power plants	**14,999,574**	12,977,153	**76,879**	184,293
— Investments	**1,487,686**	615,000	**1,487,686**	1,941,137
— Improvement projects and others	**262,221**	192,283	**78,065**	45,145
	16,749,481	13,784,436	**1,642,630**	2,170,575
Authorised but not contracted for				
— Development of power plants	**22,461,161**	14,096,313	**5,839,139**	—
— Improvement projects and others	**1,201,128**	640,948	**471,360**	184,121
	23,662,289	14,737,261	**6,310,499**	184,121
	40,411,770	28,521,697	**7,953,129**	2,354,696

(b) Operating lease commitments

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

	The Group and the Company	
	2011	2010
	RMB'000	*RMB'000*
Within 1 year	**88,023**	79,937
After 1 year but within 5 years	**214,013**	130,331
After 5 years	**304,854**	333,434
	606,890	543,702

44 CONTINGENT LIABILITIES

At 31 December 2011, apart from guarantees provided by the Group as disclosed in note 39(a), 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).

45 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Interest rate risk

The interest rates and terms of repayment of the outstanding interesting-bearing liabilities of the Group and the Company are disclosed in note 31. At 31 December 2011, fixed rate borrowings comprise 21% and 45% of total borrowings of the Group and the Company respectively (2010: 33% and 70%).

Sensitivity analysis

At 31 December 2011, it is estimated that a general increase of 100 basis points in interest rates, with all other variables held constant, would have decreased the Group's profit after tax and total equity by approximately RMB 655,494,000 (2010: RMB 488,163,000).

The sensitivity analysis above indicates the Group's exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date. The impact on the Group's profit after tax (and retained profits) and consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for 2010.

45 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(b) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the balance sheet date, 39% and 76% (2010: 41% and 78%) of the total trade debtors and bills receivable were due from the Group's largest customer and the five largest customers respectively.

Except for the financial guarantees given by the Group as set out in note 44, the Group does not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 44. Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade debtors and bills receivable are set out in note 27.

(c) Liquidity risk

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

At the balance sheet date, the Group had net current liabilities of RMB41,001,865,000 (2010: RMB 37,055,494,000). With regards to its future capital commitments and other financing requirements, the Group has unutilised banking facilities of RMB 82.52 billion as at 31 December 2011. After balance sheet date, the Company has completed the issuance of debt financing instruments with amounted to RMB 11.50 billion. In addition, the Company proposed a non-public offering to target subscribers to issue 600,000,000 new A shares. The proposed placing was approved by China Securities Regulatory Commission in February 2012 and the total proceeds from the proposed placing would be not more than RMB 1.9 billion.

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

The Group

	2011						2010					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Short-term debentures	3,701,700	–	–	–	3,701,700	3,551,384	3,100,350	–	–	–	3,100,350	3,008,983
Bank loans	32,918,829	10,051,750	22,992,971	38,013,470	103,977,020	79,600,140	26,252,845	9,169,035	18,608,345	31,103,481	85,133,706	67,182,437
Loans from shareholders	1,129,125	672,652	1,798,574	120,944	3,721,295	3,240,396	2,113,928	55,300	1,448,498	123,024	3,740,750	3,371,375
State loans	18,899	12,590	32,669	49,273	113,431	103,379	16,712	20,108	39,896	100,075	176,791	117,100
Other loans	6,114,899	4,236,852	3,605,214	2,052,197	16,009,162	14,099,039	6,675,938	1,929,074	2,403,101	919,287	11,927,400	11,053,817
Trade creditors and bills payable	6,683,683	–	–	–	6,683,683	6,683,683	7,739,963	–	–	–	7,739,963	7,739,963
Amount due to holding company	85,170	–	–	–	85,170	83,145	80,963	–	–	–	80,963	79,165
Obligations under finance lease	149,306	162,360	429,388	–	741,054	630,297	–	–	–	–	–	–
Other payables	5,498,672	–	–	–	5,498,672	5,497,210	3,427,719	–	–	–	3,427,719	3,427,719
Medium-term notes	1,660,955	150,120	4,095,273	–	5,906,348	5,362,631	200,172	1,700,474	4,289,913	–	6,190,559	5,346,441
Long-term payables	–	737,123	–	–	737,123	737,123	–	456,380	778,330	–	1,234,710	1,234,710
	57,961,238	16,023,447	32,954,089	40,235,884	147,174,658	119,588,427	49,608,590	13,330,371	27,568,083	32,245,867	122,752,911	102,561,710

45 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(c) Liquidity risk *(continued)*

The Company

	2011						2010					
	Contractual undiscounted cash outflow						Contractual undiscounted cash outflow					
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Short-term debentures	**3,701,700**	**–**	**–**	**–**	**3,701,700**	**3,551,384**	3,100,350	–	–	–	3,100,350	3,008,983
Bank loans	**12,234,217**	**1,002,780**	**1,195,215**	**–**	**14,432,212**	**13,828,269**	8,966,117	446,481	760,224	–	10,172,822	9,898,759
Loans from shareholders	**274,527**	**7,778**	**182,808**	**–**	**465,113**	**393,127**	2,058,628	–	140,121	–	2,198,749	2,115,920
State loans	**7,048**	**1,213**	**3,483**	**4,488**	**16,232**	**14,954**	12,872	7,352	3,561	5,740	29,525	27,759
Other loans	**3,342,415**	**2,125,836**	**404,342**	**387,127**	**6,259,720**	**5,844,977**	2,674,494	1,262,022	219,294	–	4,155,810	3,900,000
Trade creditors and bills payable	**424,873**	**–**	**–**	**–**	**424,873**	**424,873**	1,051,349	–	–	–	1,051,349	1,051,349
Amount due to holding company	**84,970**	**–**	**–**	**–**	**84,970**	**82,945**	80,763	–	–	–	80,763	78,965
Amount due to subsidiaries	**713,444**	**–**	**–**	**–**	**713,444**	**713,444**	49,072	–	–	–	49,072	49,072
Other payables	**1,780,646**	**–**	**–**	**–**	**1,780,646**	**1,780,646**	505,572	–	–	–	505,572	505,572
Medium-term notes	**1,660,955**	**150,120**	**4,095,273**	**–**	**5,906,348**	**5,362,631**	200,172	1,700,474	4,289,913	–	6,190,559	5,346,441
	24,224,795	**3,287,727**	**5,881,121**	**391,615**	**33,785,258**	**31,997,250**	18,699,389	3,416,329	5,413,113	5,740	27,534,571	25,982,820

(d) Currency risk

(i) Recognised assets and liabilities

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

(ii) Exposure to currency risk

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

The Group

	2011		2010	
	United States Dollars	Euro	United States Dollars	Euro
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**4,710**	**—**	481	—
Trade creditors and bills payable	**—**	**—**	(4,667)	—
Bank loans	**(1,380,584)**	**(111,804)**	(1,347,581)	(132,568)
State loans	**(5,791)**	**(80,406)**	(17,578)	(80,431)
Long-term payables	**(784,673)**	**—**	(875,081)	—
Net exposure arising from recognised liabilities	**(2,166,338)**	**(192,210)**	(2,244,426)	(212,999)

45 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(d) Currency risk *(continued)*

(ii) Exposure to currency risk *(continued)*

The Company

	2011		2010	
	United States Dollars	Euro	United States Dollars	Euro
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and cash equivalents	**4,710**	**—**	481	—
Bank loans	**(1,349,837)**	**—**	(1,311,389)	—
State loans	**(5,791)**	**—**	(17,578)	—
Net exposure arising from recognised liabilities	**(1,350,918)**	**—**	(1,328,486)	—

(iii) Sensitivity analysis

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

The Group

	2011			2010		
	Decrease in foreign exchange rates	Effect on profit after tax and retained profits	Effect on consolidated equity	Decrease in foreign exchange rates	Effect on profit after tax and retained profits	Effect on consolidated equity
		RMB'000	*RMB'000*		*RMB'000*	*RMB'000*
United States Dollars	**(10%)**	**162,475**	**162,475**	(10%)	168,332	168,332
Euro	**(10%)**	**14,416**	**14,416**	(10%)	15,975	15,975

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

A 10% weakening of RMB against the above currencies 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 assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis is performed on the same basis for 2010.

(e) Fair values

(i) Financial instruments carried at fair value

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

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

45 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

(e) Fair values *(continued)*

(i) Financial instruments carried at fair value *(continued)*

2011	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets								
Available-for-sale equity securities:								
— Listed	39,506	—	—	39,506	—	—	—	—

2010	The Group				The Company			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets								
Available-for-sale equity securities:								
— Listed	42,906	—	—	42,906	—	—	—	—

During the years ended 31 December 2011 and 2010, there were no significant transfers between instruments in Level 1 and Level 2.

(ii) Financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2011 and 2010 except as follows:

	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
The Group:				
Bank loans	1,031,828	1,037,208	1,408,188	1,424,894
Loans from shareholders	2,073,006	2,046,973	1,371,374	1,358,222
State loans	91,451	85,217	99,522	90,915
Medium-term notes	5,479,076	5,497,190	5,462,886	5,459,253
The Company:				
Bank loans	170,124	164,375	—	—
Loans from shareholders	143,127	137,849	115,920	115,920
State loans	9,164	7,970	10,182	9,056
Medium-term notes	5,479,076	5,497,190	5,462,886	5,459,253

(f) Estimation of fair values

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

(i) Securities

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

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

(ii) Long-term loans and borrowings

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

45 FINANCIAL RISK MANAGEMENT AND FAIR VALUES *(CONTINUED)*

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

(iii) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(iv) Other financial instruments

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

46 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Impairment for non-current assets

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

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

(b) 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 in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives are based on the Group's historical experience with similar assets and taking into account upgrading and improvement work performed, and anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

(c) Impairment for bad and doubtful debts

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

(d) Deferred tax assets

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

(e) Useful life of land use rights

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

(Expressed in Renminbi unless otherwise indicated)

47 SERVICE CONCESSION ARRANGEMENT

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

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

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

48 PARENT AND ULTIMATE HOLDING COMPANY

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

49 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2011 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, *Financial Instruments: Disclosures — Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes — Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements — Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements(2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures(2011)*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
IFRIC 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures — Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation* — Offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, *Financial instruments(2011)*	1 January 2015

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to result in significant impact on the Group's results of operations and financial position.

Five Years Financial Summary

(Expressed in Renminbi)

	2007	2008	2009	2010	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Turnover	20,341,122	29,997,264	36,449,643	45,197,500	**54,178,060**
Profit/(loss) before taxation	1,789,567	(3,189,801)	1,683,272	202,421	**164,993**
Income tax (expense)/credit	(269,102)	130,679	(101,273)	(116,536)	**(29,919)**
Profit/(loss) for the year	1,520,465	(3,059,122)	1,581,999	85,885	**135,074**
Attributable to:					
Equity shareholders of the Company	1,196,860	(2,560,103)	1,157,173	169,897	**73,814**
Non-controlling interests	323,605	(499,019)	424,826	(84,012)	**61,260**
Profit/(loss) for the year	1,520,465	(3,059,122)	1,581,999	85,885	**135,074**
Total non-current assets	61,563,473	78,861,310	93,681,806	118,956,666	**136,057,039**
Total current assets	4,389,947	6,556,117	7,558,092	9,604,733	**13,001,813**
Total assets	65,953,420	85,417,427	101,239,898	128,561,399	**149,058,852**
Total current liabilities	(24,221,200)	(27,751,825)	(32,215,639)	(46,660,227)	**(54,003,678)**
Total non-current liabilities	(23,589,538)	(41,728,822)	(47,719,101)	(60,038,351)	**(71,255,137)**
Net assets	18,142,682	15,936,780	21,305,158	21,862,821	**23,800,037**
Total equity attributable to equity shareholders of the Company	14,299,819	11,426,315	16,086,182	16,175,971	**16,285,073**
Non-controlling interests	3,842,863	4,510,465	5,218,976	5,686,850	**7,514,964**
Total equity	18,142,682	15,936,780	21,305,158	21,862,821	**23,800,037**

Report of The PRC Auditors

All Shareholders of Huadian Power International Corporation Limited:

We have audited the accompanying financial statements of Huadian Power International Corporation Limited ("the Company"), which comprise the consolidated balance sheet and balance sheet as at 31 December 2011, the consolidated income statement and income statement, the consolidated cash flow statement and cash flow statement, the consolidated statement of changes in shareholders' equity and statement of changes in shareholders' equity for the year then ended, and notes to the financial statements.

1. MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Company's management is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing these financial statements in accordance with Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China, and fairly presenting them; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

2. AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing for Certified Public Accountants. Those standards require that we comply with China Code of Ethics for Certified Public Accountants, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

3. OPINION

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position and financial position of the Company as at 31 December 2011, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China.

KPMG Huazhen

Certified Public Accountants
Registered in the People's Republic of China

Zou Jun

China Beijing

Huang Jia

28 March 2012

Consolidated balance sheet and balance sheet

As at 31 December 2011
(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000)

		The Group		The Company	
Item	*Note*	**2011**	2010	**2011**	2010
Current assets					
Cash at bank and on hand	V. 1	**2,474,260**	1,266,436	**421,704**	156,819
Bills receivable	V. 2	**315,651**	118,623	**100**	2,310
Trade receivables	V. 3; X. 1	**4,925,610**	3,862,051	**858,753**	667,595
Prepayments	V. 5	**965,267**	859,688	**167,407**	8,209
Other receivables	V. 4; X. 2	**777,655**	600,709	**3,009,424**	2,651,036
Inventories	V. 6	**2,777,508**	1,760,239	**434,782**	336,178
Dividends receivable		**—**	—	**15,108**	—
Other current assets	V. 7	**765,862**	1,136,987	**139,705**	38,019
Total current assets		**13,001,813**	9,604,733	**5,046,983**	3,860,166
Non-current assets					
Available-for-sale financial assets	V. 8	**39,506**	42,906	**—**	—
Long-term receivables	V. 9; X. 3	**176,365**	68,393	**361,018**	501,122
Long-term equity investments	V. 10; X. 4	**10,726,075**	9,512,944	**32,796,233**	27,618,062
Fixed assets	V. 11	**89,251,907**	74,557,721	**8,022,590**	8,519,729
Construction in progress	V. 12	**13,992,610**	14,609,301	**684,102**	564,389
Construction materials	V. 13	**160,856**	879,631	**—**	—
Construction and construction material prepayments		**5,126,817**	7,657,751	**123,028**	97,842
Intangible assets	V. 14	**13,287,396**	9,543,341	**131,512**	144,122
Goodwill	V. 15	**790,157**	790,552	**12,111**	12,111
Deferred tax assets	V. 16	**444,484**	322,269	**—**	—
Other non-current assets	V. 17	**1,381,171**	270,810	**604,253**	270,810
Total non-current assets		**135,377,344**	118,255,619	**42,734,847**	37,728,187
Total assets		**148,379,157**	127,860,352	**47,781,830**	41,588,353
Current liabilities					
Short-term loans	V. 20	**26,719,139**	24,299,330	**13,756,302**	11,446,120
Bills payable	V. 21	**1,265,832**	2,208,011	**320,000**	857,129
Trade payables	V. 22	**5,417,851**	5,531,952	**104,873**	194,220
Advances from customers	V. 23	**791,135**	569,327	**6,956**	11,881
Wages payable	V. 24	**110,055**	130,193	**19,898**	9,727
Taxes payable	V. 25	**446,467**	270,335	**63,478**	22,956
Interests payable	V. 26	**421,332**	293,739	**173,984**	143,327
Dividends payable		**11,744**	7,664	**—**	—
Other payables	V. 27	**4,905,762**	2,931,861	**2,377,742**	480,555
Short-term debenture payables	V. 28	**3,551,384**	3,008,983	**3,551,384**	3,008,983
Non-current liabilities due within one year	V. 29	**10,362,977**	7,408,832	**2,908,861**	1,824,780
Total current liabilities		**54,003,678**	46,660,227	**23,283,478**	17,999,678
Non-current liabilities					
Long-term loans	V. 30	**61,734,471**	50,159,994	**4,915,216**	2,671,538
Debentures payable	V. 31	**3,863,579**	5,346,441	**3,863,579**	5,346,441
Long-term payables	V. 32	**1,224,301**	1,234,710	**—**	—
Special payables		**6,500**	8,020	**6,500**	6,500
Deferred tax liabilities	V. 16	**2,376,916**	1,960,728	**46,791**	47,250
Other non-current liabilities	V. 33	**1,523,562**	903,034	**22,187**	19,091
Total non-current liabilities		**70,729,329**	59,612,927	**8,854,273**	8,090,820
Total liabilities		**124,733,007**	106,273,154	**32,137,751**	26,090,498
Shareholders' equity					
Share capital	V. 34	**6,771,084**	6,771,084	**6,771,084**	6,771,084
Capital reserve	V. 35	**4,607,401**	4,512,428	**4,400,536**	4,393,875
Special reserve	V. 36	**3,268**	—	**—**	—
Surplus reserve	V. 37	**1,547,510**	1,533,554	**1,547,510**	1,533,554
Retained profits	V. 38	**3,175,032**	3,109,795	**2,924,949**	2,799,342
Total equity attributable to equity shareholders of the Company		**16,104,295**	15,926,861	**15,644,079**	15,497,855
Minority interests		**7,541,855**	5,660,337	**—**	—
Total shareholders' equity		**23,646,150**	21,587,198	**15,644,079**	15,497,855
Total liabilities and shareholders' equity		**148,379,157**	127,860,352	**47,781,830**	41,588,353

These financial statements were approved by the Board of Directors on 28 March 2012.

Yun Gongmin	**Chen Cunlai**	**Wang Huiping**
Legal representative	*The person in charge of accounting affairs*	*The head of the accounting department*

The notes on pages 97 to 158 form part of these financial statements.

Consolidated income statement and income statement

For the year ended 31 December 2011
(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000)

		The Group		The Company	
Item	*Note*	**2011**	2010	**2011**	2010
Operating income	V. 39; X. 5	**54,490,807**	45,448,778	**8,899,020**	8,506,103
Less: Operating costs	V. 39; X. 5	**49,464,893**	42,121,006	**8,375,163**	8,158,323
Sales taxes and surcharges	V. 40	**209,380**	186,436	**45,309**	45,890
Administrative expenses	V. 41	**1,519,748**	1,324,430	**405,386**	405,940
Finance expenses	V. 42	**4,925,259**	3,288,889	**1,342,264**	810,271
Impairment reversal	V. 44	**(13,025)**	(14,539)	**(378)**	(1,780)
Add: Investment income	V. 43; X. 6	**1,281,786**	846,211	**1,398,841**	840,117
Including: income from investment in associates and jointly controlled entity		**556,872**	328,230	**443,763**	254,766
Operating (loss)/profit		**(333,662)**	(611,233)	**130,117**	(72,424)
Add: Non-operating income	V. 45	**531,000**	853,390	**10,295**	556,181
Less: Non-operating expenses	V. 46	**20,550**	9,428	**1,304**	1,096
Including: losses on disposal of non-current assets		**3,137**	2,549	**—**	493
Total profit		**176,788**	232,729	**139,108**	482,661
Less: Income tax expenses	V. 47	**32,065**	126,517	**(455)**	7,250
Net profit		**144,723**	106,212	**139,563**	475,411
Attributable to:					
Equity shareholders of the Company		**79,193**	207,844	**139,563**	475,411
Minority interests		**65,530**	(101,632)	**—**	—
Earnings per share *(RMB)*:					
Basic earnings per share	V. 48	**0.012**	0.031	**Not applicable**	Not applicable
Diluted earnings per share	V. 48	**0.012**	0.031	**Not applicable**	Not applicable
Add: Other comprehensive income	V. 49	**(8,112)**	(16,725)	**(5,045)**	891
Total comprehensive income		**136,611**	89,487	**134,518**	476,302
Attributable to:					
Equity shareholders of the Company		**71,201**	191,196	**134,518**	476,302
Minority interests		**65,410**	(101,709)	**—**	—

These financial statements were approved by the Board of Directors on 28 March 2012.

Yun Gongmin
Legal representative

Chen Cunlai
The person in charge of accounting affairs

Wang Huiping
The head of the accounting department

The notes on pages 97 to 158 form part of these financial statements.

Consolidated cash flow statement and cash flow statement

For the year ended 31 December 2011
(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000)

		The Group		The Company	
Item	*Note*	**2011**	2010	**2011**	2010
I. Cash flow from operating activities:					
Cash received from sale of goods and rendering of services		**62,747,252**	52,884,840	**10,109,635**	9,756,077
Refund of taxes		**15,022**	21,701	**—**	—
Cash received relating to other operating activities	V. 50(1)	**772,283**	362,272	**496,983**	98,785
Sub-total of cash inflow from operating activities		**63,534,557**	53,268,813	**10,606,618**	9,854,862
Cash paid for goods and services		**(50,336,509)**	(41,809,010)	**(8,422,806)**	(8,129,035)
Cash paid to and for employees		**(2,535,822)**	(2,136,398)	**(627,970)**	(571,336)
Cash paid for all types of taxes		**(2,242,952)**	(2,238,475)	**(399,956)**	(519,222)
Cash paid relating to other operating activities	V. 50(2)	**(1,686,632)**	(1,026,208)	**(389,731)**	(565,727)
Sub-total of cash outflow from operating activities		**(56,801,915)**	(47,210,091)	**(9,840,463)**	(9,785,320)
Net cash inflow from operating activities	V.51(1);X. 7	**6,732,642**	6,058,722	**766,155**	69,542
II. Cash flow from investing activities:					
Cash received from disposal of investments		**105,656**	745,017	**102,400**	721,956
Cash received from return on investments		**283,624**	142,304	**464,423**	89,453
Cash received for the upfront connection and installation fees for heating networks		**679,522**	—	**—**	—
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**10,631**	87,202	**328**	86,516
Cash received relating to other investing activities	V. 50(3)	**166,218**	26,983	**73,136**	654,812
Sub-total of cash inflow from investing activities		**1,245,651**	1,001,506	**640,287**	1,552,737
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		**(12,324,893)**	(13,468,672)	**(602,108)**	(723,470)
Cash paid for acquisition of investments		**(497,023)**	(4,365,496)	**(1,653,399)**	(5,314,411)
Cash paid for acquisition of subsidiaries	V. 51(2)	**(1,553,756)**	(2,200,825)	**(2,186,654)**	(2,674,539)
Cash paid relating to other investing activities	V. 50(4)	**(52,142)**	(48,967)	**(22,566)**	(1,482,566)
Sub-total of cash outflow from investing activities		**(14,427,814)**	(20,083,960)	**(4,464,727)**	(10,194,986)
Net cash outflow from investing activities		**(13,182,163)**	(19,082,454)	**(3,824,440)**	(8,642,249)

The notes on pages 97 to 158 form part of these financial statements.

Consolidated cash flow statement and cash flow statement (Continued)

For the year ended 31 December 2011
(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000)

		The Group		The Company	
Item	*Note*	**2011**	2010	**2011**	2010
III. Cash flow from financing activities:					
Cash received from investors		**218,699**	284,360	**—**	—
Including: cash received from minority shareholders of subsidiaries		**218,699**	284,360	**—**	—
Cash received from borrowings		**62,017,376**	63,952,583	**27,276,007**	30,607,647
Decrease in guarantee deposits of bank acceptance bills		**120,844**	19,401	**—**	—
Cash received relating to other financing activities	V. 50(5)	**192,354**	1,158,816	**4,000**	5,740
Sub-total of cash inflow from financing activities		**62,549,273**	65,415,160	**27,280,007**	30,613,387
Cash repayments of borrowings		**(48,267,847)**	(47,336,765)	**(22,580,069)**	(20,993,418)
Cash paid for dividends, profits distribution or interest		**(5,695,380)**	(4,291,809)	**(1,347,522)**	(1,040,124)
Including: dividends and profits paid to minority shareholders of subsidiaries		**(25,274)**	(76,404)	**—**	—
Increase in guarantee deposits of bank acceptance bills		**(383,701)**	(46,473)	**—**	—
Cash paid relating to other financing activities	V. 50(6)	**(876,857)**	(722,523)	**(29,246)**	(43,505)
Sub-total of cash outflow from financing activities		**(55,223,785)**	(52,397,570)	**(23,956,837)**	(22,077,047)
Net cash inflow from financing activities		**7,325,488**	13,017,590	**3,323,170**	8,536,340
IV. Net increase/(decrease) in cash and cash equivalents	V51(1); X. 7	**875,967**	(6,142)	**264,885**	(36,367)
Add: Cash and cash equivalents at the beginning of the year		**1,235,758**	1,241,900	**156,819**	193,186
V. Cash and cash equivalents at the end of the year		**2,111,725**	1,235,758	**421,704**	156,819

These financial statements were approved by the Board of Directors on 28 March 2012.

Yun Gongmin
Legal representative

Chen Cunlai
The person in charge of accounting affairs

Wang Huiping
The head of the accounting department

The notes on pages 97 to 158 form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2011
(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000)

		2011						
		Attributable to shareholders' equity of the Company						
Item	Note	Share capital	Capital reserve	Specific reserve	Surplus reserve	Retained profits	Minority interests	Total equity
I. Balance at the end of previous year and the beginning of the year		6,771,084	4,512,428	—	1,533,554	3,109,795	5,660,337	21,587,198
II. Changes in equity for the year								
1. Net profit		—	—	—	—	79,193	65,530	144,723
2. Other comprehensive income		—	(7,992)	—	—	—	(120)	(8,112)
Sub-total of 1&2		—	(7,992)	—	—	79,193	65,410	136,611
3. Acquisition of subsidiaries		—	—	—	—	—	1,354,518	1,354,518
4. Acquisition of control over a jointly controlled entity		—	—	—	—	—	240,248	240,248
5. Disposal of subsidiaries		—	—	—	—	—	(7,147)	(7,147)
6. Acquisition of minority interests		—	(375)	—	—	—	(44,027)	(44,402)
7. Capital injection from minority shareholders to subsidiaries		—	—	—	—	—	308,014	308,014
8. Appropriation for specific reserve	V. 36	—	—	3,268	—	—	577	3,845
9. Appropriation for surplus reserve	V. 37	—	—	—	13,956	(13,956)	—	—
10. Distribution to minority shareholders of subsidiaries		—	—	—	—	—	(94,169)	(94,169)
11. Fair value adjustment of interest free loans granted by China Huadian Corporation	V. 35	—	39,833	—	—	—	9,537	49,370
12. Capital contribution by the state	V. 35	—	59,685	—	—	—	48,557	108,242
13. Others	V. 35	—	3,822	—	—	—	—	3,822
III. Balance at the end of the year		6,771,084	4,607,401	3,268	1,547,510	3,175,032	7,541,855	23,646,150

The notes on pages 97 to 158 form part of these financial statements.

Consolidated statement of changes in equity (Continued)

For the year ended 31 December 2011
(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000)

	2010					
	Attributable to shareholders' equity of the Company					
Item	Share capital	Capital reserve	Surplus reserve	Retained profits	Minority interests	Total equity
I. Balance at the end of previous year	6,771,084	4,258,129	1,486,013	3,169,574	5,160,300	20,845,100
Changes in accounting policy	—	—	—	16,906	(16,906)	—
II. Balance at the beginning of the year	6,771,084	4,258,129	1,486,013	3,186,480	5,143,394	20,845,100
III. Changes in equity for the year						
1. Net profit	—	—	—	207,844	(101,632)	106,212
2. Other comprehensive income	—	(16,648)	—	—	(77)	(16,725)
Sub-total of 1&2	—	(16,648)	—	207,844	(101,709)	89,487
3. Acquisition of subsidiaries	—	—	—	—	334,291	334,291
4. Acquisition of minority interests	—	(9,351)	—	—	(36,503)	(45,854)
5. Capital injection from minority shareholders to subsidiaries	—	—	—	—	322,138	322,138
6. Appropriation for surplus reserve	—	—	47,541	(47,541)	—	—
7. Distributions to shareholders of the Company	—	—	—	(236,988)	—	(236,988)
8. Distributions to minority shareholders of subsidiaries	—	—	—	—	(69,470)	(69,470)
9. Fair value adjustment of interest free loans granted by China Huadian Corporation	—	24,769	—	—	1,507	26,276
10. Capital contribution by the state	—	97,419	—	—	66,689	164,108
11. Others	—	158,110	—	—	—	158,110
IV. Balance at the end of the year	6,771,084	4,512,428	1,533,554	3,109,795	5,660,337	21,587,198

These financial statements have been approved by the Board of Directors on 28 March 2012.

Yun Gongmin	**Chen Cunlai**	**Wang Huiping**
Legal representative	*The person in charge of accounting affairs*	*The head of the accounting department*

The notes on pages 97 to 158 form part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2011
(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000)

Item	2011				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
I. Balance at the end of previous year and the beginning of the year	**6,771,084**	**4,393,875**	**1,533,554**	**2,799,342**	**15,497,855**
II. Changes in equity for the year					
(I) Net profit	—	—	—	**139,563**	**139,563**
(II) Other comprehensive income	—	**(5,045)**	—	—	**(5,045)**
Sub-total of (I)&(II)	—	**(5,045)**	—	**139,563**	**134,518**
(III) Appropriation for surplus reserve	—	—	**13,956**	**(13,956)**	—
(IV) Fair value adjustment of interest free loans granted by China Huadian Corporation	—	**8,399**	—	—	**8,399**
(V) Others	—	**3,307**	—	—	**3,307**
III. Balance at the end of the year	**6,771,084**	**4,400,536**	**1,547,510**	**2,924,949**	**15,644,079**

Item	2010				
	Share capital	Capital reserve	Surplus reserve	Retained profits	Total equity
I. Balance at the end of previous year and the beginning of the year	6,771,084	4,208,451	1,486,013	2,608,460	15,074,008
II. Changes in equity for the year					
(I) Net profit	—	—	—	475,411	475,411
(II) Other comprehensive income	—	891	—	—	891
Sub-total of (I)&(II)	—	891	—	475,411	476,302
(III) Appropriation for surplus reserve	—	—	47,541	(47,541)	—
(IV) Distributions to shareholders of the Company	—	—	—	(236,988)	(236,988)
(V) Fair value adjustment of interest free loans granted by China Huadian Corporation	—	20,683	—	—	20,683
(VI) Capital contribution by the state	—	5,740	—	—	5,740
(VII) Others	—	158,110	—	—	158,110
III. Balance at the end of the year	6,771,084	4,393,875	1,533,554	2,799,342	15,497,855

These financial statements were approved by the Board of Directors on 28 March 2012.

Yun Gongmin
Legal representative

Chen Cunlai
The person in charge of accounting affairs

Wang Huiping
The head of the accounting department

The notes on pages 97 to 158 form part of these financial statements.

Notes to the Financial Statements

(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000 unless otherwise indicated)

I. COMPANY STATUS

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

The Company is a joint stock company limited by shares pursuant to the approval document (Ti Gai Sheng [1994] No. 76 - Reply on the approval for the establishment of Shandong International Power Development Company Limited) issued by the former State Commission for Economic Restructuring of the PRC. The Company had a registered share capital of RMB 3,825,056,200, divided into 3,825,056,200 ordinary shares of RMB 1 each. At the same date, the Company's joint promoters, namely Shandong Electric Power (Group) Corporation ("SEPCO"), Shandong International Trust Corporation ("SITC"), Shandong Luneng Development (Group) Company Limited, China Power Trust and Investment Company Limited and Zaozhuang City Infrastructure Investment Company, injected all assets (except parcels of land) and liabilities, together with certain construction in progress, of two power plants in Zouxian and Shiliquan of Shandong Province into the Company. In return, these joint promoters were being allotted the entire share capital mentioned above.

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

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

In January 2005, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Fa Xing Zi [2005] No. 2, to issue 765,000,000 RMB ordinary shares with par value of RMB 1 each. As a result, the registered capital of the Company was increased to RMB 6,021,084,200. The RMB ordinary shares include 196,000,000 unlisted domestic shares. The remaining 569,000,000 A shares were listed on the Shanghai Stock Exchange on 3 February 2005. On 11 May 2005, the Company obtained a new business licence for body corporate regarding the new registered capital.

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

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

In October 2009, the Company was approved by China Securities Regulatory Commission, with Zheng Jian Xu Ke [2009] No. 1071, to issue 750,000,000 RMB ordinary shares with par value of RMB 1 each. The registered capital of the Company was increased to RMB 6,771,084,200. The Company completed the non-public issue on 1 December 2009. The 150,000,000 shares of shares issued shall not be transferred within 36 months from the date of completion of the non-public issue. On 18 June 2010, the Company obtained a new business licence for body corporate regarding the new registered capital.

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1 Basis of preparation

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

2 Statement of compliance

The financial statements have been prepared in accordance with the requirements of "Accounting Standards for Business Enterprises - Basic Standard" and 38 Specific Standards issued by the Ministry of Finance (MOF) of the People's Republic of China (PRC) on 15 February 2006, and application guidance, bulletins and other relevant accounting regulations issued subsequently (collectively referred to as "Accounting Standards for Business Enterprises" or "CAS"). These financial statements present truly and completely the consolidated financial position and financial position of the Company as at 31 December 2011, and the consolidated financial performance and financial performance and the consolidated cash flows and cash flows of the Company for the year then ended.

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

3 Accounting period

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

4 Functional currency

The Company's functional currency is Renminbi and these financial statements are presented in Renminbi. Functional currency is determined by the Company and its subsidiaries on the basis of the currency in which major income and costs are denominated and settled

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

(1) Business combinations involving enterprises under common control

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

5 Accounting treatments for a business combination involving entities under and those not under common control *(continued)*

(2) Business combinations involving enterprises not under common control

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

6 Preparation of consolidated financial statements

The scope of consolidated financial statements is based on control and the consolidated financial statements comprise the Company and its subsidiaries. Control is the power to govern the financial and operating policies of an enterprise so as to obtain benefits from its operating activities. The financial position, financial performance and cash flows of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Where a subsidiary was acquired during the reporting period, through a business combination involving enterprises not under common control, the identifiable assets and liabilities of the acquired subsidiaries are included in the scope of consolidation from the date that control commences, base on the fair value of those identifiable assets and liabilities at the acquisition date.

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

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

When the Group loses control of a subsidiary due to the disposal of a portion of an equity investment, the Group derecognises assets, liabilities, minority interests and other related items in shareholders' equity in relation to that subsidiary. The remaining equity investment is remeasured at its fair value at the date when control is lost. Any gains or losses therefore incurred are recognised as investment income for the current period when control is lost.

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

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

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

7 Cash and Cash equivalents

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

8 Translation of foreign currency transactions

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

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9 Financial instruments

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

(1) Recognition and measurement of financial assets and financial liabilities

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

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

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

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

A financial asset or financial liability is classified as at fair value through profit or loss if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if it is a derivative.

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

— Receivables

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

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

— Held-to-maturity investments

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

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

— Available-for-sale financial assets

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

Available-for-sale investments in equity instruments whose fair value cannot be measured reliably are measured at cost subsequent to initial recognition. Other available-for-sale financial assets are measured at fair value subsequent to initial recognition and changes therein, except for impairment losses and foreign exchange gains and losses from monetary financial assets which are recognised directly in profit or loss, are recognised as other comprehensive income in capital reserve. When an investment is derecognised, the cumulative gain or loss is reclassified from equity to profit or loss. Dividend income from the available-for-sale equity instruments is recognised in profit or loss when the investee declares the dividends. Interest on available-for-sale financial assets calculated using the effective interest method is recognised in profit or loss (see Note II.20(4)).

— Other financial liabilities

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

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

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

(2) Presentation of financial assets and financial liabilities

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

— the Group has a legal right to set off the recognised amounts and the legal right is currently enforceable;

— the Group intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously.

(3) Determination of fair values

If there is an active market for a financial asset or financial liability, the quoted price in the active market is used to establish the fair value of the financial asset or financial liability.

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

(4) Derecognition of financial assets and financial liabilities

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

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

— carrying amount of the financial asset transferred

— the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

9 Financial instruments *(continued)*

(5) Impairment of financial assets

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

Objective evidence that a financial asset is impaired includes but is not limited to:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(d) the disappearance of an active market for that financial asset because of financial difficulties;

(e) significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the obligor operates, and indicates that the cost of an investment in an equity instrument may not be recovered;

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

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

— Held-to-maturity investments

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

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

— Available-for-sale financial assets

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

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

(6) Equity instrument

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

The consideration received from the issuance of equity instruments net of transaction costs is recognised in shareholders' equity.

10 Impairment of receivables

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

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

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

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

11 Inventories

(1) Classification

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

(2) Cost of inventories

Cost of inventories is calculated using the weighted average method.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

11 Inventories *(continued)*

(3) Basis for determining the net realisable value of inventories and provision methods for decline in value of inventories

Inventories are initially measured at cost. Cost of inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

At the balance sheet date, inventories are carried at the lower of cost and net realisable value.

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

Any excess of the cost over the net realisable value of each category of inventories is recognised as a provision for diminution in the value of inventories, and is recognised in profit or loss.

(4) Inventory system

The Group maintains a perpetual inventory system.

(5) Amortisation of low-value consumables

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

12 Long-term equity investments

(1) Investment cost

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

— The initial investment cost of a long-term equity investment obtained through a business combination involving enterprises under common control is the Company's share of the carrying amount of the subsidiary's equity at the combination date. The difference between the initial investment cost and the carrying amount of the consideration given is adjusted to share premium in capital reserve. If the balance of the share premium is insufficient, any excess is adjusted to retained earnings.

— For a long-term equity investment obtained through a business combination not involving enterprises under common control, the initial investment cost comprises the aggregate of the fair value of assets transferred and liabilities incurred or assumed by the Company, in exchange for control of the acquiree. For a long-term equity investment obtained through a business combination not involving enterprises under common control and achieved in stages, the initial cost comprises the carrying value of previously-held equity investment in the acquiree immediately before the acquisition date, and additional investment cost at the acquisition date.

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

— A long-term equity investment acquired otherwise than through a business combination is initially recognised at the actual consideration paid if the Group acquires the investment by cash.

(2) Subsequent measurement

(a) Investments in subsidiaries

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

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

(b) Investment in jointly controlled entities and associates

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

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

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

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

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

— After the acquisition of the investment, the Group recognises its share of the investee's profit or loss, as investment income or losses, and adjusts the carrying amount of the investment accordingly. Once the investee declares any cash dividends or profit distributions, the carrying amount of the investment is reduced by that amount attributable to the Group.

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

12 Long-term equity investments *(continued)*

(2) Subsequent measurement *(continued)*

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

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

— When the Group's interest in an associate is reduced resulting from partly disposal or a dilution (while maintaining the original significant influence and continuing using equity method to account for the associate), the Group recognises a dilution gain or loss in profit or loss which is equivalent to the difference between the carrying amounts of the investment in the associate, immediately before and after the transaction that resulted in the dilution. The carrying amount of the investment in the associate after the transaction is determined by multiplying the new (reduced) ownership interest in the associate by the amount of net assets after the transaction. The reduction of the equity interests is regarded as a disposal of the interest in that associate.

— The Group adjusts the carrying amount of the long-term equity investment for changes in owners' equity of the investee other than those arising from net profits or losses, and recognises the corresponding adjustment in shareholders' equity.

(c) Other long-term equity investments

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

Other long-term equity investments are accounted for using the cost method for subsequent measurement. Except for cash dividends or profit distributions declared but not yet distributed that have been included in the price or consideration paid in obtaining the investments, the Company recognises its share of the cash dividends or profit distributions declared by the investee as investment income irrespective of whether these represent the net profit realised by the investee before or after the investment.

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

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

- Whether no single investor is in a position to control the investee's operating activities unilaterally;
- Whether strategic decisions relating to the investee's main operating activities require the unanimous consent of each investor;
- If one investor is appointed, through contract or agreement by all investors, to manage the investee's ordinary activities, whether this investor must act within the financial and operating policies that have been agreed upon by all investors.

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

- Whether the Group has representation on the board of directors or equivalent governing body of the investee
- Whether the Group participates in the policy-making processes of the investee
- Whether the Group has material transactions with the investee
- Whether the Group dispatches management personnel to the investee
- Whether the Group provides essential technical information to the investee.

(4) Method of impairment testing and measuring

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

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

13 Fixed assets

(1) Recognition

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

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

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

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

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

(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

13 Fixed assets *(continued)*

(2) Depreciation

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

Classes	Estimated useful life	Residual value rate	Depreciation rate
	(years)	*(%)*	*(%)*
Plants and buildings	20-45	3-5	2.1-4.9
Generators	5-20	3-5	4.8-19.4
Others	5-10	3-5	9.5-19.4

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

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

(4) Recognition and measurement of fixed assets acquired under finance leases

For the recognition and measurement of fixed assets acquired under finance leases, refer to the accounting policy set out in Note II.25 (2)

(5) Disposal

The carrying amount of a fixed asset shall be derecognised:

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

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

14 Construction in progress

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

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

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

15 Borrowing costs

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

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

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

— Where funds are borrowed specifically for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised is the interest expense calculated using effective interest rates during the period less any interest income earned from depositing the borrowed funds or any investment income on the temporary investment of those funds before being used on the asset.

— Where funds are borrowed generally and used for the acquisition, construction of a qualifying asset, the amount of interest to be capitalised on such borrowings is determined by applying a capitalisation rate to the weighted average of the excess amounts of cumulative expenditures on the asset over the above amounts of specific borrowings. The capitalisation rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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

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

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

16 Intangible assets

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

Classes	Amortisation period (years)
Land use rights	10-70
Sea use right	50
Concession assets	25
Development right of hydropower	45
Others	5-10

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

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

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

17 Goodwill

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

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

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

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

— fixed assets

— construction in progress

— construction materials

— construction and construction material prepayments

— intangible assets

— long-term equity investments in subsidiaries, associates and jointly controlled entities

— goodwill

— other non-current assets

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

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

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

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

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

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

19 Provisions

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

20 Revenue recognition

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

(1) Sale of electricity

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

(2) Sale of heat

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

(3) Sale of coal

Revenue from sale of coal is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

(4) Interest income

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

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

20 Revenue recognition *(continued)*

(5) Dividend income

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

(6) Certified Emission Reductions ("CERs") income

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

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

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

21 Employee benefits

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

(1) Social insurance and housing fund

Pursuant to the relevant laws and regulations of the PRC, employees of the Group participate in the social insurance system established and managed by government organisations. The Group makes social insurance contributions, including contributions to basic pension insurance, basic medical insurance, unemployment insurance, work-related injury insurance, maternity insurance etc., as well as contributions to housing fund, at the applicable benchmarks and rates stipulated by the government for the benefit of its employees. In addition, the Group has joined a supplementary pension insurance managed by China Huadian. The social insurance and housing fund contributions are recognised as part of the cost of assets or charged to profit or loss on an accrual basis. Except for the above contributions, the Group does not have any other obligations in this respect.

(2) Termination benefits

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

— The Group has a formal plan for the termination of employment or has made an offer to employees for voluntary redundancy, which will be implemented shortly;

— The Group is not allowed to withdraw from termination plan or redundancy offer unilaterally.

22 Government grants

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

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

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

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

23 Production maintenance and production safety

Pursuant to the relevant regulations of the related government authorities in the PRC, provision for production maintenance, production safety and other related expenditures is accrued by the Group based on coal production volume for mining production maintenance, equipment improvement expenditure, coal production and safety expenditure of mining structure. Provision for maintenance and production funds is recognized as expense in profit or loss and separately recorded as a specific reserve. On utilisation of the specific reserve for expense expenditure in accordance with the stipulated scope, the amount utilised would be reversed from the specific reserve. On utilisation of the specific reserve for fixed assets incremental in accordance with the stipulated scope, the amount utilised would be reversed from the specific reserve and full amount of depreciation is recognised at the same time when the cost of the relevant assets is recorded. And no depreciation will be provided after the initial recognition of the related fixed assets.

24 Deferred tax assets and liabilities

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

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

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

Notes to the Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000 unless otherwise indicated)

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

24 Deferred tax assets and liabilities *(continued)*

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

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

— the taxable entity has a legally enforceable right to set off current tax assets against current tax liabilities, and

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

25 Operating leases and finance leases

A lease is classified as either a finance lease or an operating lease. A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of a leased asset to the lessee, irrespective of whether the legal title to the asset is eventually transferred. An operating lease is a lease other than a finance lease.

(1) Operating lease charges

Rental payments under operating leases are recognised as part of the cost of another related asset or as expenses on a straight-line basis over the lease term.

(2) Assets acquired under finance leases

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

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

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

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

26 Dividends appropriated to investors

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

27 Related parties

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

(a) the Company's parent;

(b) the Company's subsidiaries;

(c) enterprises that are controlled by the Company's parent;

(d) investors that have joint control or exercise significant influence over the Group;

(e) enterprises or individuals if a party has control or joint control over both the enterprises or individuals and the Group;

(f) joint ventures of the Group, including subsidiaries of joint ventures;

(g) associates of the Group, including subsidiaries of associates;

(h) principal individual investors and close family members of such individuals;

(i) key management personnel of the Group and close family members of such individuals;

(j) key management personnel of the Company's parent;

(k) close family members of key management personnel of the Company's parent; and

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

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

(m) enterprises, or persons that act in concert, that hold 5% or more of the Company's shares;

(n) individuals who directly or indirectly hold more than 5% of the Company's shares and their close family members, supervisors of the listed companies and their close family members;

(o) enterprises that satisfy any of the aforesaid conditions in (a), (c) and (m) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement;

(p) individuals who satisfy any of the aforesaid conditions in (i), (j) and (n) during the past 12 months or will satisfy them within the next 12 months pursuant to a relevant agreement; and

(q) enterprises, other than the Company and subsidiaries controlled by the Company, which are controlled directly or indirectly by an individual defined in (i), (j), (n) and (p), or in which such an individual assumes the position of a director or senior executive.

II. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES *(CONTINUED)*

28 Segment reporting

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

— it may earn revenues and incur expense from business activities;

— its operating results are regularly reviewed by the Group's management to make decisions about resource to be allocated to the segment and assess its performance;

— its financial information regarding financial position, results of operations and cash flows is available.

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

— the nature of each products and services;

— the nature of production processes;

— the type or class of customers for the products and services;

— the methods used to distribute the products or provide the services;

— the nature of the regulatory environment.

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

29 Significant accounting estimates and judgments

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

Note V. 15 and IX. 2 contain information about the assumptions and their risk factors relating to impairment of goodwill and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(1) Impairment of receivables

As described in Note II. 10, receivables that are measured at amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is recognised. Objective evidence of impairment includes observable data that comes to the attention of the Group about loss events such as a significant decline in the estimated future cash flow of an individual debtor or the portfolio of debtors, and significant changes in the financial condition that have an adverse effect on the debtor. If there is objective evidence of a recovery in value of receivables which can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed.

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

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

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

(3) Depreciation and amortisation of assets such as fixed assets and intangible assets

As described in Note II. 13 and 16, assets such as fixed assets and intangible assets are depreciated and amortised over their useful lives after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

(4) Deferred tax assets

As described in Note II. 24, deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. The Group obtained all relevant information, including the estimation of the volume of electricity and heat generated, selling price and related operating expenses based on reasonable and supportable assumption, to estimate whether sufficient future taxable profits will be available against which deductible temporary differences can be utilised. If there is an indication that there has been a change in the factors used to determine the deferred tax assets, the amount of deferred tax assets and tax expenses are revised.

(5) Intangible assets with indefinite useful lives

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

(Expressed in Renminbi'000 unless otherwise indicated)

III. TAXATION

1 Main types of taxes and corresponding rates

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

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

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

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

Notes:

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

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

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

(3) Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on Relevant Issues Concerning Tax Preferential Policies on the Development of the Western Region (Cai Shui [2001] No. 202) and the Notice of the State Administration of Taxation on Opinions Regarding the Implementation of Taxation Policies on the Development of the Western Region (Guo Shui Fa [2002] No.47), Preferential tax incentive granted to Sichuan Guang'an Power Generation Company Limited ("Guang'an Company"), Sichuan Zagunao Hydroelectric Development Company Limited ("Zagunao Hydroelectric Company") and Lingwu Company is expired in the end of 2010. Pursuant to the Notice of the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs on the Relevant Tax Policies for the Implementation of the Strategy of Extensive Development of the Western Regions issue on 27th, July 2011, the Preferential tax incentive is extended to the year of 2020. As at the date of this report, the applications submitted to local tax authorities by Guang'an Company, Zagunao Hydroelectric Company and Lingwu Company for preferential tax has not been approved. Therefore the prevailing applicable EIT rate of Guang'an Company and Zagunao Hydroelectric Company is 25% in current year (2010: 15%) and applicable EIT rate of Lingwu Company is 12.5% (2010:7.5%) as set out in Note III. 1(1).

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

1 Background of major subsidiaries

(1) Subsidiaries acquired through establishment, investment or other acquisition

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in Current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
		Note 1				*RMB'000*	*RMB'000*	*(%)*	*(%)*		*RMB'000*	*RMB'000*
Lingwu Company	Limited company	Lingwu	Wang Wenqi	77492869-7	Generation and sale of electricity	1,300,000	1,332,655	65	65	Y	491,195	–
Luding Hydropower Company	Limited company	Ganzi Tibetan Autonomous Region	Zhong Tonglin	78911707-X	Generation and sale of electricity	1,266,090	1,266,090	100	100	Y	–	–
Huadian Suzhou Biomass Energy Power Company Limited ("Suzhou Biomass Energy Company")	Limited company	Suzhou	Zhang Daixin	66293432-0	Generation and sale of electricity	52,480	43,680	78	78	Y	3,256	–
Huadian International Materials Company Limited ("Materials Company")	Limited company	Jinan	Wang Wenqi	75919979-9	Procurement of materials	50,000	38,648	100	100	Y	–	–
Huadian Qingdao Heat Company Limited	Limited company	Qingdao	Liu Kejun	77025937-7	Sale of heat	30,000	16,500	55	55	Y	108,871	–
Huadian International Shandong Project Company Limited	Limited company	Jinan	Xing Shibang	76000563-X	Management of construction project	3,000	3,336	100	100	Y	–	–
Huadian International Shandong Information Company Limited	Limited company	Jinan	Zhong Tonglin	78849619-4	Development and maintenance of information system	3,000	3,000	100	100	Y	–	–
Ningdong Wind Power Company	Limited company	Lingwu	Ji Jun	79990031-6	Generation and sale of electricity	150,000	150,000	100	100	Y	–	–
Huadian Zouxian Power Generation Company Limited ("Zouxian Company")	Limited company	Zoucheng	Bai Hua	66930776-8	Generation and sale of electricity	3,000,000	2,070,000	69	69	Y	1,006,128	–
Laizhou Wind Power Company	Limited company	Laizhou	Dong Fengliang	67452399-1	Generation and sale of electricity	146,060	80,333	55	55	Y	76,249	–
Kailu Wind Power Company	Limited company	Tongliao	Xie Wei	67438152-4	Generation and sale of electricity	797,128	797,128	100	100	Y	–	–
Huadian Luohe Power Generation Company Limited ("Luohe Company")	Limited company	Luohe	Wang Fengjiao	68076402-X	Generation and sale of electricity and heat	502,000	475,300	75	75	Y	(12,206)	42,951
Tengzhou Xinyuan Heat Company Limited ("Tengzhou Heat Company") *(Note 2)*	Limited company	Tengzhou	Ge Lijun	68170352-8	Sale of heat	30,000	–	65.28	70	Y	7,377	–
Shanxi Maohua Energy Investment Company Limited ("Maohua Company")	Limited company	Taiyuan	Peng Guoquan	68806562-9	Investment and management in coal, electricity and heat industry	1,547,000	1,547,000	100	100	Y	–	–
Guyuan Wind Power Company	Limited company	Zhangjiakou	Peng Guoquan	67418073-0	Generation and sale of electricity	300,000	336,100	100	100	Y	–	–
Kezuozhongqi Wind Power Company	Limited company	Kezuozhong Qi	Xie Wei	69590532-3	Generation and sale of electricity	80,000	80,000	100	100	Y	–	–
Huadian Qudong Power Generation Company Limited ("Qudong Company")	Limited company	Xinxiang	Xing Shibang	69599741-6	Generation and sale of electricity (under construction)	562,000	261,740	90	90	Y	53,405	171
Xinxiang Huadian Heat Company Limited ("Xinxiang Heat Company") *(Note 3)*	Limited company	Xinxiang	Zheng Gang	56249931-7	Sale of heat (under construction)	24,570	–	90	100	Y	2,457	–
Ningdong Shangde Solar Energy Company	Limited company	Lingwu	Ji Jun	69432340-1	Generation and sale of electricity	38,000	22,800	60	60	Y	15,412	–
Hebei Huadian Kangbao Wind Power Company Limited	Limited company	Zhangjiakou	Peng Guoquan	55043453-2	Generation and sale of electricity (under construction)	55,000	55,000	100	100	Y	–	–

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1 Background of major subsidiaries *(continued)*

(1) Subsidiaries acquired through establishment, investment or other acquisition *(continued)*

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in Current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
		Note 1				*RMB'000*	*RMB'000*	*(%)*	*(%)*		*RMB'000*	*RMB'000*
Anhui Huadian Lu'an Power Plant Company Limited ("Lu'an Company")	Limited company	Lu'an	Xing Shibang	55019512-1	Generation and sale of electricity (under construction)	522,000	109,180	95	95	Y	5,714	37
Huadian Zoucheng Heat Company Limited ("Zoucheng Heat Company")	Limited company	Zoucheng	Li Huaixin	55994359-5	Sale of heat	80,000	56,000	70	70	Y	24,012	634
Shantou Huadian Power Generation Company Limited ("Shantou Company")	Limited company	Shantou	Yin Zhengjun	56084427-9	Generation and sale of electricity (under construction)	30,000	15,300	51	51	Y	14,700	–
Huadian Ningxia Yueliangshan Wind Power Company Limited ("Yueliangshan Wind Power Company")	Limited company	Guyuan	Ji Jun	55418988-8	Generation and sale of electricity (under construction)	95,000	95,000	100	100	Y	–	–
Huadian Laizhou Power Generation Company Limited ("Laizhou Company")	Limited company	Laizhou	Xing Shibang	55992021-1	Generation and sale of electricity (under construction)	10,000	307,500	75	75	Y	126,210	847
Guangdong Huadian Shaoguan Thermal Power Company Limited	Limited company	Shaoguan	Yin Zhengjun	56450155-6	Generation and sale of electricity and heat (under construction)	30,000	30,000	100	100	Y	–	–
Hebei Huadian Yuzhou Wind Company Limited ("Yuzhou Wind Power Company") *(Note 4)*	Limited company	Yuxian	Wang Li	56618950-0	Generation and sale of electricity (under construction)	120,000	–	100	100	Y	–	–
Weifang Taihe Heat Company Limited ("Taihe Heat Company") *(Note 5)*	Limited company	Weifang	Xiong Zhuoyuan	57547412-7	Sale of heat (under construction)	50,000	–	36	80	Y	10,000	–
Huadian Laizhou Port Company Limited ("Laizhou Port Company")	Limited company	Laizhou	Bai Hua	57046634-7	Port construction and operation (under construction)	215,130	69,917	65	65	Y	37,465	183
Huadian Laizhou Wind Power Company Limited ("Laizhou Wind Company")	Limited company	Laizhou	Dong Fengliang	57547126-8	Generation and sale of electricity (under construction)	40,000	40,000	100	100	Y	–	–
Huadian Ningxia Liupanshan Wind Power Company limited ("Liupanshan Wind Power Company")	Limited company	Haiyuan	Duan Ximin	56413303-6	Generation and sale of electricity (under construction)	15,000	15,000	100	100	Y	–	–
Anhui Wenhui New Products Promotion Company Limited ("Wenhui Company")	Limited company	Hefei	Peng Guoquan	55630753-4	Research, Development, promotion and sales of new product	50,000	283,315	51	51	Y	272,421	–
Anhui Hualin International Energy Company Limited ("Hualin Company")	Limited company	Hefei	Peng Guoquan	57443853-8	Investment on coal mine resources	50,000	25,500	51	51	Y	24,500	–
Sichuan Huoxing Investment Company Limited ("Huoxing Company")	Limited company	Chengdu	Luo Xiaoqian	78911593-9	Investment on hydropower resources	263,750	825,245	100	100	Y	–	–
Sichuan Xiexing Investment Company Limited ("Xiexing Company")	Limited company	Chengdu	Luo Xiaoqian	78814754-1	Investment on hydropower resources	300,000	864,755	100	100	Y	–	–
Sichuan Liangshan Shuiluohe Hydropower Development Company Limited ("Shuiluohe Company")	Limited company	Xichang	Xia Tianquan	78470603-5	Generation and sale of electricity (under construction)	400,000	–	57	57	Y	960,236	–

Note 1: All subsidiaries of the Company are registered in PRC.

Note 2: Tengzhou Heat Company is the subsidiary of Huadian Tengzhou Xinyuan Power Company Limited ("Tengzhou Thermal Power Company"), a subsidiary of the Company. Tengzhou Termal Power Company owns 70% equity interests of Tengzhou Heat Company. The closing amount of the investment is RMB 21,000,000.

Note 3: Xinxiang Heat Company is a wholly-owned subsidiary of Qudong Company, a subsidiary of the Company. The closing amount of investment is RMB 24,570,000.

Note 4: Yuzhou Wind Company is a wholly-owned subsidiary of Hebei Huarui Energy Group Corporation Limited ("Huarui Group Company"), a subsidiary of the Company. The closing amount of investment is RMB120,000,000.

Note 5: Taihe Heat Company is the subsidiary of Huadian Weifang Power Generation Company Limited ("Weifang Company"), a subsidiary of the Company. Weifang Company owns 80% equity interest of Taihe Heat. The closing amount of investment is RMB 40,000,000.

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1 Background of major subsidiaries *(continued)*

(2) Subsidiaries acquired through business combinations under common control

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in Current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
		Note 1				*RMB'000*	*RMB'000*	*(%)*	*(%)*		*RMB'000*	*RMB'000*
Guang'an Company	Limited company	Guang'an	Zhong Tonglin	28956243-3	Generation and sale of electricity	1,785,860	1,267,577	80	80	Y	487,118	–
Huadian Xinxiang Power Generation Company Limited ("Xinxiang Company")	Limited company	Xinxiang	Wang Fengjiao	75388082-3	Generation and sale of electricity	69,000	372,100	90	90	Y	(60,231)	22,170
Anhui Huadian Suzhou Power Generation Company Limited ("Suzhou Company")	Limited company	Suzhou	Xu Xu	75299721-0	Generation and sale of electricity	854,912	829,267	97	97	Y	22,709	–
Anhui Huadian Wuhu Power Generation Company Limited ("Wuhu Company")	Limited company	Wuhu	Xu Xu	76277372-0	Generation and sale of electricity	1,000,000	644,046	65	65	Y	351,590	–
Hangzhou Huadian Banshan Power Generation company Limited ("Banshan Company")	Limited company	Hangzhou	Wang Wenqi	14304951-4	Generation and sale of electricity and heat	480,762	386,724	64	64	Y	348,466	–
Hebei Huadian Complex Pumping-storage Power Company Limited	Limited company	Luquan	Kang Jinzhu	77770333-8	Generation and sale of electricity	10,000	15,681	100	100	Y	–	–
Hebei Huadian Shijiazhuang Thermal Power Company Limited ("Shijiazhuang Thermal Power Company")	Limited company	Shijiazhuang	Wang Wenqi	71318764-5	Generation and sale of electricity and heat	789,740	908,511	82	82	Y	144,455	–
Hebei Huadian Shijiazhuang Yuhua Thermal Power Company Limited ("Yuhua Thermal Power Company") *(Note 6)*	Limited company	Shijiazhuang	Wang Wenqi	79138065-1	Generation and sale of electricity and heat	500,000	–	89.2	100	Y	26,568	–
Hebei Huadian Shijiazhuang Luhua Thermal Power Company Limited ("Luhua Thermal Power Company")	Limited company	Shijiazhuang	Xing Shibang	67468690-X	Generation and sale of electricity and heat	380,000	337,475	90	90	Y	37,954	–

Note 6: Yuhua Thermal Power Company is the subsidiary of Shijiazhuang Thermal Power Company, a subsidiary of the Company. Shijiazhuang Thermal Power Company holds 60% equity interest in Yuhua Thermal Power Company. Yuhua Thermal Power Company is also an associate of Hebei Huafeng Investment Company Limited ("Huafeng Investment Company"). Huafeng Investment Company holds 40% equity interest in Yuhua Thermal Power Company. The closing amounts of investments of Shijiazhuang Thermal Power Company and Huafeng Investment Company are RMB300,000,000 and RMB200,000,000 respectively.

Notes to the Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000 unless otherwise indicated)

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

1 Background of major subsidiaries *(continued)*

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

Name of subsidiary	Type	Registration place	Legal representative	Organisation code	Business nature and operation scope	Registered capital	Closing amount of investment	Percentage of equity interest held by the Company	Percentage of voting rights held by the Company	Included in consolidated financial statements (Y/N)	Closing amount of minority interests	Amount in Current year's minority interests used to offset the profit/(loss) attributable to minority shareholders
		Note 1				*RMB'000*	*RMB'000*	*(%)*	*(%)*		*RMB'000*	*RMB'000*
Huadian Qingdao Power Generation Company Limited ("Qingdao Company")	Limited company	Qingdao	Bai Hua	16358000-3	Generation and sale of electricity and heat	700,000	345,668	55	55	Y	730,553	–
Weifang Company *(Note 7)*	Limited company	Weifang	Bai Hua	16542339-4	Generation and sale of electricity and heat	1,250,000	823,483	45	45	Y	982,020	118,061
Huadian Zibo Thermal Power Company Limited ("Zibo Thermal Power Company")	Limited company	Zibo	Xing Shibang	73470473-6	Generation and sale of electricity and heat	374,800	374,800	100	100	Y	–	–
Huadian Zhangqiu Power Generation Company Limited ("Zhangqiu Company")	Limited company	Zhangqiu	Bai Hua	70592974-1	Generation and sale of electricity and heat	750,000	617,077	87.50	87.50	Y	6,760	20,810
Tengzhou Thermal Power Company	Limited company	Tengzhou	Bai Hua	16991985-6	Generation and sale of electricity and heat	474,172	424,400	93.26	93.26	Y	5,763	7,223
Zagunao Hydroelectric Company	Limited company	Lixian	Wang Hui	75472823-3	Generation and sale of electricity	200,000	593,942	64	64	Y	183,552	–
Huarui Group Company *(Note 8)*	Limited company	Shijiazhuang	Zhong Tonglin	75243920-0	Generation and sale of electricity and heat	538,000	966,895	100	100	Y	–	–
Huafeng Investment Company *(Note 8)*	Limited company	Shijiazhuang	Wang Li	75026749-2	Energy projects investment	977,300	–	100	100	Y	–	–
Hebei Fengyuan Industrial Company Limited (" Fengyuan Company") *(Note 8)*	Limited company	Shijiazhuang	Wang Li	73024734-7	Sale of coal and chemical products	102,000	–	100	100	Y	–	–
Shanxi Shuozhou Pinglu Maohua Dongyi Coal Company Limited ("Dongyi Coal Company") *(Note 9)*	Limited company	Shuozhou	Diao Youfeng	X0243004-7	Resources consolidation, improvement and expansion services	12,180	–	70	70	Y	155,584	–
Shanxi Shuozhou Wantongyuan Erpu Coal Company Limited ("Erpu Coal Company") *(Note 9)*	Limited company	Shuozhou	Diao Youfeng	11147348-4	Resources consolidation, improvement and expansion services	10,000	–	70	70	Y	170,585	–
Shandong Century Electric Power Development Corporation Limited ("Century Power Company") *(Note 10)*	Corporation Limited	Longkou	Baihua	16942322-8	Generation and sale of electricity and heat	488,000	2,120,369	84.31	84.31	Y	346,653	–
Shaoguan Pingshi Power Plant Company Limited (B Plant) ("Pingshi Power Company")	Limited company	Lechang	Ma Ruidong	61745169-6	Generation and sale of electricity	889,000	684,706	100	100	Y	–	–
Shijiazhuang Huadian Heat Company Limited ("Shijiazhuang Heat Company") *(Note 11)*	Limited company	Shijiazhuang	Kang Jinzhu	71836417-X	Sale of heat	207,370	112,374	100	100	Y	–	–
Ningxia Zhongning Power Generation Company Limited ("Zhongning Company")	Limited company	Zhongning	Ji Jun	73597054-2	Generation and sale of electricity	285,600	142,800	50	50	Y	260,631	–
Inner Mongolia Alxa League Shunge Company Limited ("Shunge Company")	Limited company	Alxa League	Yang Shaoguo	75256317-2	Coal mine improvement and sales of mining equipment	30,000	672,078	100	100	Y	–	–
Inner Mongolia Haoyuan Coal Company Limited ("Haoyuan Company")	Limited company	Ordos	Peng Guoquan	66409258-5	Sale of mining equipment and components	3,000	691,777	85	85	Y	126,624	–

Note 7: Although the Company's equity interest percentage and voting rights in Weifang Company are less than 50%, according to the articles of association of the company, the Company holds majority of seats in the Board of Directors and can participate in the financial and operating policy decisions of the company, and obtain benefits from its operating activity. As a result, the management of the Company determined that the Company is able to control Weifang Company and included it into the consolidated financial statements of the Company.

Note 8: Subsidiaries of Huarui Group Company, a subsidiary of the Company, include Huafeng Investment Company, Fengyuan Company, Hebei Huarui Matou Thermal Power Company Limited ("Matou Thermal Power Company"), Shijiazhuang Guanghua Thermal Power Company Limited ("Guanghua Thermal Power Company"), Handan Wanxing Power Thermal Company Limited ("Wanxing Thermal Power Company") and Yuzhou Wind Power Company. Jingxing Huarui Power Generation Company Limited ("Jingxing Company"), once a subsidiary of Huarui Group Company, cancelled registration in December 2011.The closing amounts of investments to Huafeng Investment Company, Fengyuan Company, Matou Thermal Power Company, Guanghua Thermal Power Company and Wanxing Thermal Power Company are RMB919,987,912, RMB171,146,267, RMB5,140,800, RMB50,300,000 and RMB5,734,000 respectively.

Note 9: Dongyi Coal Company and Erpu Coal Company are the subsidiaries of Maohua Company, a subsidiary of the Company. The closing amounts of investments are RMB397,600,000 and RMB362,600,000 respectively.

Note10: Subsidiaries of Century Power Company, a subsidiary of the Company, include Qingdao Guhe Power Generation Company Limited ("Guhe Company"), Longkou Dongyi Wind Power Company Limited ("Dongyi Wind Power Company") and Penglai Donghai Thermal Power Company Limited ("Donghai Thermal Power Company"). The closing amounts of investments to Guhe Company, Dongyi Wind Power Company and Donghai Thermal Power Company are RMB6,000,000, RMB6,000,000 and RMB51,120,000 respectively.

Note 11: Subsidiaries of Shijiazhuang Heat Company, a subsidiary of the Company, include Shijiazhuang Huadian Yuhua Heat Company Limited ("Yuhua Heat Company"), Shijiazhuang Huadian Luhua Heat Company Limited ("Luhua Heat Company"), Shijiazhuang Huadian Yuxi Heat Company Limited ("Yuxi Heat Company"), Shijiazhuang Huadian Beicheng Heat Company Limited ("Beicheng Heat Company") and Shijiazhuang Huadian Shiguang Heat Company Limited. The closing amounts of investments to above mentioned heat companies are RMB87,287,500, RMB79,461,746, RMB 0, RMB 2,300,000 and RMB 688,000 respectively.

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

2 The Company has no entities with special purpose or operating entities controlled through entrusted operating and leases during the year.

3 Changes of the consolidation scope of the Company during the year are referred to Note IV. 4.

4 Subsidiaries that newly consolidated and those that ceased to be consolidated during the year

(1) Subsidiaries that are newly consolidated during the year

Name	*Note*	Net assets at 31 December 2011	Net profit/(loss) for 2011
		RMB'000	*RMB'000*
Zhongning Company	Note 1	521,260	40,765
Wenhui Company	Note 2	555,961	442
Hualin Company	Note 2	50,000	—
Shunge Company	Note 2	672,079	—
Haoyuan Company	Note 2	844,163	26,462
Huoxing Company	Note 2	427,848	3,269
Xiexing Company	Note 2	443,681	(3,182)
Shuiluohe Company	Note 2	2,233,104	—
Taihe Heat Company	Note 3	50,000	—
Laizhou Port Company	Note 3	107,042	(523)
Laizhou Wind Company	Note 3	39,897	(103)
Liupanshan Wind Power Company	Note 3	15,000	—

Note 1: Zhongning Company, which was a jointly controlled entity of the Company, is currently governed by the Company from 1 January 2011. Net profit of Zhongning Company in 2011 is from the acquisition date to 31 December 2011. Details are referred to Note IV. 6(1).

Note 2: Wenhui Company, Hualin Company, Haoyuan Company, Shunge Company, Huoxing Company, Xiexing Company and Shuiluohe Company are the subsidiaries newly acquired by the Company during the year. Net profits of the above mentioned companies in 2011 are from the acquisition date to 31 December 2011. Details are referred to Note IV. 6 and IV. 7.

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

(2) Jingxing Company, a subsidiary of Huarui Group Company who is a subsidiary of the Company, cancelled its registration in December 2011 after its small thermal power generating units were closed. Jingxing Company was previously registered in Jingxing County of Hebei Province and was principally engaged in the generation and sale of electricity, and the Company had 55% equity interest and voting right before its cancellation. For the period from 1 January 2011 to the date of registration cancellation, Jinxing Company contributed net profit of RMB 2,168,000 to the Group's results.

5 The Company has no business combinations involving entities under common control during the year.

6 Business combinations involving entities not under common control during the year

(1) Acquisition of control over Zhongning Company

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

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

Company Name	Operating income from acquisition date to 31 December 2011	Net profit from acquisition date to 31 December 2011	Net cash inflow from operating activities from acquisition date to 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*
Zhongning Company	1,021,068	40,765	210,325

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

6 Business combinations involving entities not under common control during the year *(continued)*

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

The identifiable assets and liabilities of Zhongning Company at the acquisition date:

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

As at 31 December 2010, the carrying value of the Company's 50% equity interest in Zhongning Company was RMB 227,237,000 base on equity method, of which the fair value was RMB 240,248,000 at acquisition date. The remeasurement to fair value in combination achieved in stages resulted in investment income of RMB 13,011,000.

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

For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

(2) Acquisition of Shunge Company

On the acquisition date of 6 September 2011, the Company acquired 100% equity interests of Shunge Company with a total consideration of RMB 672 million.

Shunge Company, which was established at 31 July 2003 in Inner Mongolia Autonomous Region in the PRC, is principally engaged in coal mine construction and relevant businesses. On the date of acquisition, Shunge Company was still under construction.

The identifiable assets and liabilities of Shunge Company at the acquisition date:

Item	Acquisition date (6 September 2011)		31 December 2010
	Carrying amount	Fair value	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	665	665	1,989
Receivables	2,304	2,304	2,432
Inventories	2,927	2,841	3,732
Other current assets	—	—	5
Long-term investments	—	—	72,000
Fixed assets	11,680	9,551	12,075
Construction in Progress	100,946	132,511	78,497
Intangible assets	192	693,994	192
Payables	(18,114)	(18,114)	(135,896)
Non-current liabilities due within one year	—	—	(26,000)
Deferred tax liabilities	—	(151,674)	—
Total identifiable net assets	100,600	672,078	9,026
Consideration		672,078	

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

For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

6 Business combinations involving entities not under common control during the year *(continued)*

(3) Acquisition of Haoyuan Company

On the acquisition date of 30 September 2011, the Company acquired 85% equity interests of Haoyuan Company with a total consideration of RMB 692 million.

Haoyuan Company, which was established at 11 May 2007 in the Dongsheng District of Ordos city in Inner Mongolia Autonomous Region in the PRC, is principally engaged in coal mine construction, production and relevant businesses.

Haoyuan Company's financial information is as follow:

Company Name	Operating income from acquisition date to 31 December 2011	Net profit from acquisition date to 31 December 2011	Net cash inflow from operating activities from acquisition date to 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*
Haoyuan Company	54,475	26,462	124,362

The identifiable assets and liabilities of Haoyuan Company at the acquisition date:

Item	Acquisition date (30 September 2011)		31 December 2010
	Carrying amount	Fair value	Carrying amount
	RMB'000	***RMB'000***	*RMB'000*
Cash at bank and on hand	**84,863**	**84,863**	2
Receivables	**7,645**	**7,645**	5,781
Fixed assets	**5,339**	**5,609**	5,606
Construction in progress	**197,200**	**197,200**	—
Intangible assets	**26,077**	**1,037,756**	27,307
Payables	**(300,192)**	**(300,192)**	(21,506)
Long-term payables	**—**	**—**	(5,775)
Deferred tax liabilities	**—**	**(219,026)**	—
Total identifiable net assets	**20,932**	**813,855**	11,415
Less: Minority interests		**122,078**	
Consideration		**691,777**	

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

For the above identifiable liability, the payable amount or the present value of the payable amount is its fair value.

7 Acquisition of other subsidiaries

(1) Acquisition of Wenhui Company

At the acquisition date of 27 May 2011, the Company acquired 51% equity interests and voting right in Wenhui Company with a total consideration of RMB 283 million. On the date of acquisition, Wenhui Company and its subsidiary Hualin Company were still under construction period and did not carry out any business operation, therefore, the portfolios of the assets and liabilities acquired did not contain the key element of process and were accounted for 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. The identifiable assets and liabilities of Wenhui Company and its subsidiary Hualin Company, are as follows:

Item	Acquisition date (27 May 2011)		31 December 2010
	Carrying amount	Fair value	Carrying amount
	RMB'000	***RMB'000***	*RMB'000*
Cash at bank and on hand	**108,298**	**108,298**	48,096
Receivables	**8,778**	**8,778**	9,800
Intangible assets	**61,846**	**567,420**	61,846
Payables	**(128,977)**	**(128,977)**	(69,800)
Total identifiable net assets	**49,945**	**555,519**	49,942
Less: Minority interests		**272,204**	
Consideration		**283,315**	

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

IV. BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

7 Acquisition of other subsidiaries *(continued)*

(2) Acquisition of Huoxing Company, Xiexing Company and Shuiluohe Company

On the acquisition date of 30 September 2011, the Company acquired 100% equity and voting interests of Huoxing Company and Xiexing Company with a total consideration of RMB 1,690 million.

Huoxing Company and Xiexing Company, which were established at 5 June 2006 and 7 June 2006 respectively in Chengdu, Sichuan Province, are principally engaged in the power industry investment. Huoxing Company and Xiexing Company have together invested in 7 hydropower enterprises, with a controlling interest in Shuiluohe Company (in which Huoxing Company and Xiexing Company have 28.5% interests respectively), non-controlling interests in the five associates and other equity investment in one enterprise. 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 and interests in other six companies. 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. Shuiluohe Company is principally engaged in development, investment and construction of hydropower resource as well as generation and sales of electricity. It is designed to built 11 hydropower plants, and as at the acquisition date two hydropower plants had obtained final approval from the Development and Reform Commission of Sichuan Province ("SDRC") and are currently under construction, while other nine projects had obtained road slip (preliminarily approval) from SDRC and are still under preliminarily status. 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 the key element of process and cannot be accounted for as a business combination. Consequently, the cost of this acquisition is allocated between the individual identifiable assets and liabilities of Huoxing Company, Xiexing Company and Shuiluohe Company based on their relative fair values at the acquisition date.

The identifiable assets and liabilities of Huoxing Company, Xiexing Company and Shuiluohe Company at the acquisition date:

Item	Acquisition date (30 September 2011)		31 December 2010
	Carrying amount	Fair value	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*
Cash at bank and on hand	**423,281**	**423,281**	167,057
Receivables	**111,564**	**111,565**	316,374
Long-term investments	**280,303**	**427,530**	315,710
Fixed assets	**23,481**	**23,536**	25,172
Construction in progress	**1,560,323**	**2,010,474**	1,000,534
Construction material	**725**	**725**	510
Construction and construction material prepayments	**35,351**	**35,350**	30,224
Intangible assets	**9**	**1,382,967**	9
Short-term loans	**(100,000)**	**(100,000)**	(234,000)
Payables	**(318,121)**	**(318,136)**	(284,377)
Long-term loans	**(1,347,056)**	**(1,347,056)**	(600,000)
Total identifiable net assets	**669,860**	**2,650,236**	737,213
Less: Minority interests		**960,236**	
Consideration		**1,690,000**	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Cash at bank and on hand

Item	2011			2010		
	Original currency	Exchange rate	RMB	Original currency	Exchange rate	RMB
	'000		'000	'000		'000
Cash on hand:						
RMB			1,950			2,155
Cash at bank:						
RMB			2,170,066			1,231,666
US dollar	681	6.3009	4,291	6	6.6227	40
HK dollar	5	0.8107	4	5	0.8501	4
Other monetary fund:						
RMB			414			1,893
Guarantee deposits for bank acceptance bills payable:						
RMB			297,535			30,678
Total			2,474,260			1,266,436

As at 31 December 2011, the balance of cash at bank contains fixed deposits over 3 month amounting to RMB 65,000,000, of which RMB 60,000,000 was obtained from the acquisition of subsidiary.

2 Bills receivable

(1) Classification of bills receivable

Category	2011	2010
	RMB'000	RMB'000
Bank acceptance bills	308,651	118,623
Commercial acceptance bills	7,000	—
Total	315,651	118,623

All of the above bills are due within one year.

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

(2) As at 31 December 2011 and 2010, no commercial acceptance bills have been discounted by the Group, all endorsed commercial acceptance bills is due before 15 March 2012.

(3) As at 31 December 2011, there are no acceptance bills transferred to accounts receivable due to non-performance for the issuers.

As at 31 December 2011, the top five outstanding endorsed bank acceptance bills that have not matured are as follows:

Issuer	Issuing date	Due date	Amount
			RMB'000
1. Agricultural Bank of China Co., Ltd. Beijing Development District subbranch	25 August 2011	24 February 2012	50,000
2. Bank of Communications Co., Ltd. Shanghai Haibo subbranch	20 September 2011	2 March 2012	30,000
3. Industrial and Commercial Bank of China Co., Ltd. ("ICBC"). Ningxia Zhongning subbranch	31 October 2011	30 April 2012	23,647
4. Agricultural Bank of China Co., Ltd. Beijing Development District subbranch	22 July 2011	20 January 2012	10,000
5. Agricultural Bank of China Co., Ltd. Beijing Development District subbranch	25 August 2011	24 February 2012	10,000
Total			123,647

3 Trade receivables

(1) Trade receivables by customer type:

Type	2011	2010
	RMB'000	RMB'000
1. Trade receivables for sale of electricity	4,654,117	3,682,270
2. Trade receivables for sale of heat	216,456	199,691
3. Trade receivables for sale of coal	61,787	—
Sub-total	4,932,360	3,881,961
Less: Provision for bad and doubtful debts	6,750	19,910
Total	4,925,610	3,862,051

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3 Trade receivables *(continued)*

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

Ageing	2011	2010
	RMB'000	RMB'000
Within one year (inclusive)	**4,821,139**	3,848,414
Between one and two years (inclusive)	**100,219**	9,064
Over three years	**11,002**	24,483
Sub-total	**4,932,360**	3,881,961
Less: Provision for bad and doubtful debts	**6,750**	19,910
Total	**4,925,610**	3,862,051

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

(3) Trade receivables by category

		2011				2010			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
Category	Note	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	(%)	RMB'000	(%)	RMB'000	(%)	RMB'000	(%)
Individually significant amounts		**4,608,558**	**93.44**	**—**	**—**	3,602,781	92.81	19,910	0.55
Other insignificant trade receivables	(4)	**323,802**	**6.56**	**6,750**	**2.08**	279,180	7.19	—	—
Total		**4,932,360**	**100.00**	**6,750**	**0.14**	3,881,961	100.00	19,910	0.51

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

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

Content of trade receivables	Gross carrying amount	Provision for bad and doubtful debts	Percentage	Reason
	RMB'000	RMB'000	(%)	
Sale of electricity	6,361	6,361	100.00	Long ageing
Sale of heat	7,534	389	5.16	Long ageing
Total	13,895	6,750	48.58	

All the individually significant trade receivables for which provision for bad and doubtful debts had been provided as at 31 December 2010, recovered partly during the year, therefore transferred as other insignificant trade receivables at 31 December 2011. As at 31 December 2011, no bad and doubtful debts provision for individually significant trade receivables has been provided.

(5) Reversal or recovery of provision for bad and doubtful debts during the year

Trade receivables for which a full provision or a significant provision was made in the previous years that are recovered or reversed partly or in full amount during the year are as follows:

Content of trade receivables	Reason for original provision	Accumulated provision for bad and doubtful debts before reversal or recovery	Amount reversed or recovery
		RMB'000	RMB'000
Sale of electricity	Long ageing	12,722	6,361
Sale of heat	Long ageing	7,188	6,899
Total		19,910	13,260

(6) The Group does not actually write-off any trade receivables during the year.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

3 Trade receivables *(continued)*

(7) As at 31 December 2011, trade receivables due from the five biggest debtors of the Group

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total trade receivables
		RMB'000		*(%)*
1. SEPCO	Third party	2,051,114	Within one year	41.58
2. Sichuan Electric Power Corporation	Third party	812,136	Within one year *(Note)*	16.47
3. Ningxia Electric Power Company	Third party	322,333	Within one year	6.54
4. Hebei Electric Power Company	Third party	297,635	Within one year	6.03
5. Guangdong Power Grid Corporation	Third party	237,851	Within one year	4.82
Total		3,721,069		75.44

Note: The ageing of the trade receivables amounted to RMB 6,360,598, which is part of the receivables due from Sichuan Electric Power Corporation, is over five years. The Group fully recognised the amount as provision for bad and doubtful debts.

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

(9) As at 31 December 2011, derecognition of accounts receivable due to transfer of financial assets

Item	Amount derecognised	Losses related to derecognition
	RMB'000	*RMB'000*
Trade receivable factoring without recourse	1,493,000	2,481

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

4 Other receivables

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

Ageing	2011	2010
	RMB'000	*RMB'000*
Within one year (inclusive)	**553,129**	323,692
Between one and two years (inclusive)	**113,571**	79,808
Between two and three years (inclusive)	**65,073**	146,311
Over three years	**49,108**	53,756
Sub-total	**780,881**	603,567
Less: Provision for bad and doubtful debts	**3,226**	2,858
Total	**777,655**	600,709

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

(2) Other receivables by category

Category	2011				2010			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Individually significant other receivables	**716,123**	**91.71**	**2,266**	**0.32**	521,937	86.48	2,266	0.43
Other insignificant other receivables	**64,758**	**8.29**	**960**	**1.48**	81,630	13.52	592	0.73
Total	**780,881**	**100.00**	**3,226**	**0.41**	603,567	100.00	2,858	0.47

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

4 Other receivables *(continued)*

(3) Reversal or recovery of provision for bad and doubtful debts during the year

Other receivables for which a full provision or a significant provision was made in the previous years that are recovered or reversed partly or in full amount during the year are as follows:

Content of other receivables	Reason for original provision	Accumulated provision for bad and doubtful debts before recovery	Amount recovery
		RMB'000	*RMB'000*
Technical Service fee	Long ageing	208	186

(4) The Group does not actually write-off any other receivables during the year.

(5) As at 31 December 2011, other receivables due from the five biggest debtors

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		*(%)*
1. Shuozhou Xialiyuan Coal Co., Ltd.	Third party	140,105	Within one year and between one and two year	17.94
2. Shuozhou Tong-coal Wantongyuan Erpu Coal Transportation and Sales Co., Ltd ("Erpu Transportation and Sales Company")	Related party	84,900	Within one year	10.87
3. Linfen City Changfa Coal Coke Co., Limited ("Linfen Changfa Company")	Related party	49,783	Between one and five years	6.38
4. Shandong Longkou Hualong Heat Engineering Co., Ltd.	Third party	38,905	Between one and two years	4.98
5. Linfen Jinneng Coking Co., Ltd.	Third party	32,221	Between two and three years	4.13
Total		345,914		44.30

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

(7) The Group does not have derecognition of other receivables due to transfer of financial assets during the year.

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

5 Prepayments

(1) Prepayments by category:

Category	2011	2010
	RMB'000	*RMB'000*
Prepayments for purchase of fuel	**827,966**	710,622
Prepayments for purchase of materials	**137,301**	149,066
Sub-total	**965,267**	859,688
Less: Provision for bad and doubtful debts	**—**	—
Total	**965,267**	859,688

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

5 Prepayments *(continued)*

(2) Prepayments by ageing

Ageing	2011 Amount	2011 Percentage	2010 Amount	2010 Percentage
	RMB'000	(%)	RMB'000	(%)
Within one year (inclusive)	**923,999**	**95.72**	792,180	92.15
Between one and two years (inclusive)	**36,634**	**3.80**	63,273	7.36
Between two and three years (inclusive)	**3,860**	**0.40**	3,743	0.43
Over three years	**774**	**0.08**	492	0.06
Total	**965,267**	**100.00**	859,688	100.00

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

As at 31 December 2011, the Group does not have individually significant prepayments with ageing over one year.

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

6 Inventories

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

Item	Opening balance	Increase for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Coal, stalk and gas	1,210,681	39,891,867	(39,089,865)	2,012,683
Fuel oil	93,865	254,768	(218,937)	129,696
Materials, components and spare parts	530,728	6,853,490	(6,674,287)	709,931
Sub-total	1,835,274	47,000,125	(45,983,089)	2,852,310
Less: Provision for diminution in value of inventories	75,035	—	(233)	74,802
Total	1,760,239	47,000,125	(45,982,856)	2,777,508

As at 31 December 2011, the Group has the mortgaged inventories that have been restricted on the ownership. Details are referred to Note V. 19.

(2) Provision for diminution in value of inventories

Category of inventories	Opening balance	Provision made for the year	Decrease for the year: Reversal	Decrease for the year: Write-off	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Materials, components and spare parts	75,035	—	(233)	—	74,802

7 Other current assets

Item	2011	2010
	RMB'000	RMB'000
VAT recoverable and prepaid taxes	**764,266**	1,136,397
Others	**1,596**	590
Sub-total	**765,862**	1,136,987
Less: Provision for impairment	**—**	—
Total	**765,862**	1,136,987

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

8 Available-for-sale financial assets

As at 31 December 2011, Available-for-sale financial assets represent 7,886,010 shares (2010: 7,169,100 shares) of the Bank of Communications Co., Ltd. and 480,000 shares of Yantai Yuancheng Enterprise Group Co., Ltd. held by the Group, the changes relating to fair value of year 2011 are referred to Note IX. 3.

9 Long-term receivables

Item	2011	2010
	RMB'000	*RMB'000*
long-term loan receivables	**66,365**	68,393
long-term entrusted loan receivables	**20,000**	—
Finance leases (sales and leaseback) deposit	**90,000**	—
Sub-total	**176,365**	68,393
Less: Provision for bad and doubtful debts	**—**	—
Total	**176,365**	68,393

As at 31 December 2011, Long-term loan receivables represent loan principle and interest amounting to RMB 66,364,738 (2010: RMB 68,393,228) from Hebei New Resource Infrastructure Investment Company Limited by Shijiazhuang Huadian Xijiao Heat Company, a subsidiary of the Company, bearing an interest rate at 90% of which announced by the People's Bank of China for the corresponding period. The loan is due in 31 December 2013.

As at 31 December 2011, Long-term entrust loan receivables represent entrusted loan principle amounting to RMB 20,000,000 from Ningxia Power Company by Zhongning Company, a subsidiary of the Company, bearing an interest rate implemented in accordance with which announced by the People's Bank of China for the corresponding period. The entrusted loan is due in 1 June 2013.

As at 31 December 2011, finance leases (sales and leaseback) deposits represent deposits paid by Kailu Wind Power Company, Luohe Company and Guyuan Wind Power Company for its obligations under finance leases (sales and leaseback).

10 Long-term equity investments

(1) Long-term equity investments by category

Item	2011	2010
	RMB'000	*RMB'000*
Investments in jointly controlled entity	**—**	227,237
Investments in associates	**10,428,371**	9,024,644
Other long-term equity investments	**297,704**	261,063
Sub-total	**10,726,075**	9,512,944
Less: Provision for impairment	**—**	—
Total	**10,726,075**	9,512,944

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

10 Long-term equity investments *(continued)*

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

				Adjustments under equity method					
Investee name	Investment cost	Opening balance	Movement of additions and reductions	Gains/(losses) in investment	Transfer of capital reserve	Cash dividends for the year	Closing balance	Shareholding percentage	Voting rights
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*(%)*
Equity method-joint ventures									
Zhongning Company	142,800	227,237	(227,237)	–	–	–	–	–	–
Equity method-associates									
Ningxia Power Company	630,000	1,017,275	–	79,250	3,308	(44,641)	1,055,192	23.66	23.66
Huadian Property Co., Ltd. ("Huadian Property") *(Note 1)*	290,000	281,341	–	1,106	(1)	–	282,446	16.57	16.57
Sichuan Luzhou Chuannan Power Generation Company Limited ("Luzhou Company")	344,000	93,851	–	(29,787)	–	–	64,064	40	40
Huadian Coal Industry Group Company Limited ("Huadian Coal") *(Note 1)*	465,214	645,792	–	686,260	–	–	1,332,052	12.56	12.56
China Huadian Finance Corporation Limited ("China Huadian Finance") *(Note 1)*	861,095	993,483	–	110,160	(5,562)	(31,459)	1,066,622	15.91	16.46
Hengshui Hengxing Power Generation Company Limited ("Hengxing Company")	189,604	192,188	–	8,799	–	(20,127)	180,860	30	30
Hebei Jiantou Yuzhou Wind Power Company Limited ("Yuzhou Wind Company")	165,819	169,368	–	11,127	–	(2,633)	177,862	44.08	44.08
Xingtai Guotai Power Generation Company Limited ("Guotai Company")	208,842	192,742	–	(10,539)	515	(1,881)	180,837	35	35
Hebei Xibaipo Second Power Generation Company Limited ("Xibaipo Company")	435,996	438,647	–	35,413	–	(35,073)	438,987	35	35
Guodian Inner Mongolia Dongsheng Thermal Power Company Limited ("Dongsheng Company")	112,812	136,982	–	32,702	–	(22,157)	147,527	20	20
Guodian Huaian Thermal Power Company Limited ("Huaian Company")	143,682	181,896	–	16,314	–	–	198,210	35	35
Otog Front Banner Changcheng Mine Company Limited ("Changcheng Mine Company")	452,612	486,181	–	63,090	–	(22,592)	526,679	35	35
Inner Mongolia Fucheng Mining Company Limited ("Fucheng Mining Company")	498,042	572,673	–	95,542	–	(62,218)	605,997	35	35
Ningdong Railway Corporation Limited ("Ningdong Railway Company") *(Note 1)*	300,000	318,375	–	27,171	–	–	345,546	10	10
Lingfen Changfa Company	280,870	280,870	–	–	–	–	280,870	19.75	33
Otog Front Banner Quanhui Trading Company Limited ("Quanhui Trading")	938,834	938,834	–	–	–	–	938,834	35	35
Otog Front Banner Baihui Trading Company Limite ("Baihui Trading")	569,724	569,724	–	–	–	–	569,724	35	35
Otog Front Banner Zhengtai Trading Company Limited ("Zhengtai Trading")	644,885	644,885	–	–	–	–	644,885	35	35
Ningxia Yinxing Coal Company Limited ("Yinxing Coal")	600,000	600,000	–	–	–	–	600,000	45	45
Erpu Transportation and Sales Company	111,100	–	111,100	–	–	–	111,100	49	49
Sichuan Balanghe Hydropower Development Company Limited ("Balanghe Hydropower") *(Note 2)*	142,782	–	142,782	6,966	–	–	149,748	20	20

Notes to the Financial Statements (Continued)

(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

10 Long-term equity investments *(continued)*

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

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Adjustments under equity method: Gains/(losses) in investment	Adjustments under equity method: Transfer of capital reserve	Cash dividends for the year	Closing balance	Shareholding percentage	Voting rights
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*(%)*
Sichuan Zhongxing Power Development Company Limited ("Zhongxing Hydropower") *(Note 2)*	11,175	—	11,175	2,000	—	—	13,175	32	32
Sichuang Litang Heyuan Hydropower Development Company Limited ("Litang Hydropower") *(Note 2)*	16,854	—	16,854	—	—	—	16,854	20	20
Datang Xiangcheng Hydropower Development Company Limited ("Xiangcheng Hydropower")	213,326	—	213,326	—	—	—	213,326	49	49
Datang Derong Tangdian Hydropower Development Company Limited ("Derong Hydropower") *(Note 2)*	19,628	—	19,628	—	—	—	19,628	49	49
Other associates	272,185	269,537	7,852	(9,832)	—	(211)	267,346		
Sub-total	8,919,081	9,024,644	522,717	1,125,742	(1,740)	(242,992)	10,428,371		
Total	9,061,881	9,251,881	295,480	1,125,742	(1,740)	(242,992)	10,428,371		

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

Note 2: On the acquisition date of 30 September 2011, the Company acquired 100% equity and voting interests of Huoxing Company and Xiexing Company, whose associates Balanghe Hydropower, Zhongxing Hydropower, Litang Hydropower, Xiangcheng Hydropower and Derong Hydropower thus became associates of The Company.

Note 3: On 16 September 2011, the Company listed its 40% equity interest in Anhui Chizhou Jiuhua Power Generation Company Limited ("Chizhou Company") for public trade in Shanghai United Assets and Equity Exchange, with a consideration of RMB 102,400,000 calculated base on the asset appraisal report on the equity interest. The transaction is completed in 18 November 2011. At the date of the transaction, the carrying value of the interest in Chizhou Company was RMB Nil. Therefore The Company recognised investment income of RMB 102,400,000 on this transaction.

Investee name	Investment cost	Opening balance	Movement of additions and reductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the year
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*(%)*	*RMB'000*
Cost method							
Shandong Luneng Heze Coal Power Development Company Limited ("Luneng Heze Company")	103,609	103,609	—	103,609	12.27	12.27	40,490
Shanxi Jinzhongnan Railway Coal Distribution Company Limited ("Jinzhongnan Coal Company")	39,200	39,200	—	39,200	14	14	—
Sichuan Daduhe Shuangjiangkou Hydropower Development Company Limited ("Daduhe Hydropower Company")	17,500	17,500	6,000	23,500	5	5	—
Sichuan Huayingshan Coal Company Limited	20,000	20,000	—	20,000	2	2	—
Hebei Handan Thermal Power Corporation Limited	72,289	72,289	—	72,289	16	16	—
Sichuan Bahe Hydropower Development Company Limited ("Bahe Hydropower") *(Note 1)*	29,945	—	29,945	29,945	10	10	—
Other investments	9,161	8,465	696	9,161			—
Total	291,704	261,063	36,641	297,704			40,490

Note 1: On the acquisition date of 30 September 2011, the Company acquired 100% equity and voting interests of Huoxing Company, who has other long-term equity investment in Bahe Hydropower.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

10 Long-term equity investments *(continued)*

(3) Information of significant investment in associates

Investee name	Type	Place of registration	Legal representative	Organisation code	Principal operation	Registered capital	Closing balance of total assets	Closing balance of net assets	Operating income for the year
		Note1				RMB'000	RMB'000	RMB'000	RMB'000
Ningxia Power Company	Limited company	Yinchuan	Liu Yingkuan	75080505-1	Generation and sale of electricity and investment holding	3,573,140	24,854,115	5,133,715	5,099,416
Huadian Property	Limited company	Beijing	Cao Yingmeng	77545281-1	Property development	1,747,500	4,078,554	1,701,910	377,311
Luzhou Company	Limited company	Luzhou	Guo Yong	76728573-4	Generation and sale of electricity	200,000	4,165,974	215,160	1,718,488
Huadian Coal	Limited company	Beijing	Ding Huande	71093361-4	Provision of coal procurement service	3,657,143	25,081,429	10,472,107	11,246,821
China Huadian Finance	Limited company	Beijing	Wang Xi	11778303-7	Provision of corporate financial service to its group companies	5,000,000	23,049,735	6,479,413	1,299,480
Hengxing Company	Limited company	Hengshui	Wang Jinsheng	74341504-7	Generation and sale of electricity and heat	475,000	1,578,314	542,529	1,220,524
Yuzhou Wind Company	Limited company	Zhangjiakou	Cao Xin	79842721-3	Generation and sale of electricity	364,000	1,654,868	394,626	128,478
Guotai Company	Limited company	Xingtai	Wang Jinsheng	75244165-0	Generation and sale of electricity and heat	400,000	1,610,093	417,195	1,230,876
Xibaipo Company	Limited company	Shijiazhuang	Wang Yongzhong	75243698-2	Generation and sale of electricity and heat	880,000	4,153,423	1,057,107	2,452,528
Dongsheng Company	Limited company	Erdos	Miu Jun	78300656-3	Generation and sale of electricity and heat	500,000	3,245,913	738,097	938,048
Huaian Company	Limited company	Zhangjiakou	Li Enyi	78981246-X	Generation and sale of electricity and heat	514,800	2,227,956	490,754	1,253,480
Changcheng Company	Limited company	Inner Mongolia	Liu Duhong	77221211-8	Sale of mechanical equipments and accessories for coal mines	23,077	1,595,243	1,022,787	907,209
Fucheng Company	Limited company	Inner Mongolia	Liu Fudao	78707803-8	Sale of ironstone and steel products	150,000	2,589,574	1,499,708	1,196,209
Lingfen Changfa Company	Limited company	Lin Fen	Wang Changfa	74855404-6	Wholesale and retail of refined coal coke and etc.(under construction)	10,000	531,005	9,672	–
Ningdong Railway Company	Corporation limited	Yin Chuan	Bao Jinquan	69432300-6	Railway development and management	3,000,000	4,029,839	3,270,166	653,725
Quanhui Trading	Limited company	Inner Mongolia	Liu Canhua	78300453-3	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	3,040,083	2,682,383	–
Baihui Trading	Limited company	Inner Mongolia	Yang Guangxiang	78300454-1	Building material, hardware & electrical & products, agriculture livestock products and electric products wholesale and retail (under construction)	5,000	1,751,411	1,627,783	–
Zhengtai Trading	Limited company	Inner Mongolia	Wang Tao	76106842-1	Hardware & electro-mechanical products, diary commodities, agriculture & livestock products wholesale and retail (under construction)	6,770	1,843,883	1,842,529	–
Yinxing Coal	Limited company	Yin Chuan	Huang Jinhai	67040432-X	Development of coal mines	611,000	1,038,530	611,000	–
Erpu Transportation and Sales Company	Limited company	Shuozhou	Zhang Qiwen	57108816-5	Coal mine construction	10,000	172,495	10,000	–
Balanghe Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Sun Yun	77984224-3	Generation and sale of electricity	120,000	1,484,143	527,506	125,190
Zhongxing Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Cong Shuxiang	79580439-4	Generation and sale of electricity	10,000	272,932	6,447	23,670
Litang Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Yang Bin	67141490-9	Generation and sale of electricity (under construction)	20,000	203,942	93,200	–
Xiangcheng Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Wang Linrui	66955585-X	Generation and sale of electricity (under construction)	301,750	2,359,543	400,245	–
Derong Hydropower	Limited company	Ganzi Tibetan Autonomous Region	Wang Linrui	69695905-9	Generation and sale of electricity (under construction)	100,000	253,249	40,000	–

Note 1: All associates of The Company are registered in PRC.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

11 Fixed assets

(1) Fixed assets

Item	Plants and buildings	Generators and related machinery and equipment	Mining structures and mining rights	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost					
Balance at the beginning of the year	27,537,825	75,412,017	205,874	1,881,015	105,036,731
Transferred from construction in progress	7,595,107	10,439,708	179,481	79,601	18,293,897
Additions from acquisition of subsidiaries	588,853	1,107,315	—	21,828	1,717,996
Net addition from sales and leaseback	—	(17,802)	—	—	(17,802)
Other additions during the year	—	7,341	—	51,301	58,642
Disposals during the year	(31,283)	(134,912)	—	(11,175)	(177,370)
Balance at the end of the year	35,690,502	86,813,667	385,355	2,022,570	124,912,094
Accumulated depreciation					
Balance at the beginning of the year	(6,490,477)	(22,982,548)	—	(1,005,985)	(30,479,010)
Charge for the year	(1,055,821)	(4,158,932)	—	(161,792)	(5,376,545)
Written-back on sales and leaseback	—	24,301	—	—	24,301
Written off during the year	28,541	131,762	—	10,764	171,067
Balance at the end of the year	(7,517,757)	(26,985,417)	—	(1,157,013)	(35,660,187)
Carrying amounts					
At the end of the year	28,172,745	59,828,250	385,355	865,557	89,251,907
At the beginning of the year	21,047,348	52,429,469	205,874	875,030	74,557,721

As at 31 December 2011, the Group has the mortgaged fixed assets that have been restricted on the ownership. Details are referred to Note V. 19.

(2) As at 31 December 2011, the Group did not have any temporary idle fixed assets.

(3) Details of fixed asset increase arising from finance leases (sales and leaseback transaction):

Item	2011			2010		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Generators and related machinery and equipment	**405,609**	**(6,425)**	**399,184**	—	—	—

(4) As at 31 December 2011, the Group did not have any fixed assets held for sale.

(5) As at 31 December 2011, the Group did have parts of fixed assets with pending certificates of ownership. The Board of Directors considered that the Group was entitled to lawfully and effectively occupy or the use of such fixed assets.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

12 Construction in progress

Project	Budget amount	Opening balance	Additions through acquisition of subsidiaries	Additions for the year	Transfer to fixed assets	Transfer to intangible assets	Closing balance	Percentage of input to budget	Accumulated capitalised interest	Including: capitalised interest for the year	Source of funds
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*RMB'000* *Note 2*	*RMB'000*	
Laizhou Power Company Phase I generating units	7,120,000	616,798	—	767,173	—	—	1,383,971	19	270,382	142,322	Self-financing and bank loans
Qudong Company Thermal Power project	2,810,000	573,129	—	674,463	—	—	1,247,592	44	136,545	69,700	Self-financing and bank loans
Zibo Thermal Power Company Phase II generating units	2,689,296	364,719	—	511,576	—	—	876,295	33	124,026	75,147	Self-financing and bank loans
Maohua Company Coal Mine projects	1,669,380	148,448	—	529,804	—	—	678,252	41	36,379	36,379	Self-financing and bank loans
Guang'an Company Phase III generating units	4,490,400	378,381	—	100,717	—	—	479,098	91	39,684	19,161	Self-financing and bank loans
Lu'an Company Phase I generating units	2,612,000	65,337	—	100,362	—	—	165,699	6	1,951	1,951	Self-financing and bank loans
Guyuan Wind Power Company Phase II Projects	927,320	4,340	—	130,422	—	—	134,762	15	4,654	4,654	Self-financing and bank loans
Shuiluohe Company Ninglang Hydropower plant	1,012,320	—	894,390	31,556	—	—	925,946	65	85,741	15,952	Self-financing and bank loans
Shuiluohe Company Saduo Hydropower plant	1,796,800	—	691,022	52,873	—	—	743,895	32	36,398	13,060	Self-financing and bank loans
Shuiluohe Company preliminary hydropower plants	12,413,778	—	316,052	4,018	—	—	320,070	3	—	—	Self-financing and bank loans
Luding Hydroepower Company Phase I generating units	8,782,228	4,019,662	—	1,914,765	(3,640,430)	—	2,293,997	68	195,148	197,229	Self-financing and bank loans
Zagunao Hydroelectric Company Shiziping hydroelectric project *(Note 1)*	3,082,000	1,257,901	—	286,657	(1,322,410)	—	222,148	115	26,985	30,995	Self-financing and bank loans
Zagunao Hydroelectric Company Gucheng hydroelectric project *(Note 1)*	1,537,000	839,695	—	312,755	(1,152,450)	—	—	140	—	11,994	Self-financing and bank loans
Luhua Heat project *(Note 1)*	861,857	364,365	—	497,492	(751,738)	—	110,119	100	1,376	9,705	Self-financing and bank loans
Lingwu Company Phase II generating units	7,669,000	2,372,441	—	4,720,708	(6,885,814)	—	207,335	93	—	39,890	Self-financing and bank loans
Yuhua Thermal Power Company Thermal Power project	2,731,620	207,544	—	49,291	(170,453)	—	86,382	96	7,030	7,030	Self-financing and bank loans
Luhua Thermal Power Company Xijiao Thermal Power project	3,052,440	1,138,237	—	1,312,925	(2,451,162)	—	—	80	—	97,637	Self-financing and bank loans
Kezuozhongqi Wind Power Company Dailiji Project Phase I	567,127	47,913	—	343,137	(391,050)	—	—	69	—	—	Self-financing and bank loans
Desulphurisation, technical improvement projects and others		2,210,391	438,721	3,010,681	(1,528,390)	(14,354)	4,117,049		238,729	97,260	Self-financing and bank loans
		14,609,301	2,340,185	15,351,375	(18,293,897)	(14,354)	13,992,610		1,205,028	870,066	

Note 1: The Group will finish budget enlargement for Zagunao Hydroelectric Company Shiziping hydroelectric project, Zagunao Hydroelectric Company Gucheng hydroelectric project and Luhua Heat project in 2012.

Note 2: The Group's carrying amount of construction in progress at the end of the year included capitalised borrowing cost of RMB1,210 million (2010: RMB1,340 million). The interest rate per annum at which the borrowing costs were capitalised for the year by the Group was 5.93% (2010: 5.25%).

Note 3: As at 31 December 2011, the Group has the mortgaged constructions in process that have been restricted on the ownership. Details are referred to Note V.19.

13 Construction materials

Item	Opening balance	Additions through acquisition	Additions for the year	Decreases for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Construction materials	879,631	725	1,341,316	(2,060,816)	160,856

(Prepared under China Accounting Standards for Business Enterprises)
(Expressed in Renminbi'000 unless otherwise indicated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

14 Intangible assets

Item	Land use rights and sea use right	Mining rights and mineral exploration rights	Concession assets	Development right of hydropower	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost						
Balance at the beginning of the year	2,035,902	4,819,743	3,037,739	—	22,277	9,915,661
Additions for the year	253,156	—	(78,446)	—	7,785	182,495
Additions from acquisition of subsidiaries	74,738	2,283,042	—	1,382,954	13	3,740,747
Transferred from construction	10,854	—	—	—	3,500	14,354
Net additions from sales and leaseback	—	—	(12,407)	—	—	(12,407)
Balance at the end of the year	2,374,650	7,102,785	2,946,886	1,382,954	33,575	13,840,850
Accumulated amortisation						
Balance at the beginning of the year	(278,500)	—	(86,118)	—	(7,702)	(372,320)
Charge for the year	(50,325)	(5,849)	(142,274)	—	(4,093)	(202,541)
Written-back on sales and leaseback	—	—	21,407	—	—	21,407
Balance at the end of the year	(328,825)	(5,849)	(206,985)	—	(11,795)	(553,454)
Carrying amounts						
At the end of the year	2,045,825	7,096,936	2,739,901	1,382,954	21,780	13,287,396
At the beginning of the year	1,757,402	4,819,743	2,951,621	—	14,575	9,543,341

The land use rights of the Group are mainly obtained through acquisitions. The sea use right of the Group is the right to use sea areas around Laizhou Port, Yantai, for general berth construction obtained by Laizhou Port Company, through cash consideration from People's Government of Shandong Province and State Oceanic Administration of People's Republic of China. The useful life of sea use right is 50 years starting from its registration date. As at 31 December 2011, the carrying amount of the sea use right is 98,657,000.

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

Concession assets are recognised by Kailu Wind Power Company and Guyuan Wind Power Company, subsidiaries of the Company, according to service concession arrangements. The decrease of concession assets for the year is attributable to the adjustment relating to final accounts of completed Beiqinghe project of Guyuan Wind Power Company. Concession assets is amortised on a straight-line basis from the date the concession infrastructure are available for use over the rest concession period. The carrying amount of concession assets at the end of the year included capitalised borrowing cost of RMB35,711,000 (2010: RMB27,755,000). The interest rate per annum at which the borrowing costs were capitalised for the year by the Group was 5.93% (2010: 5.25%).

Development right of hydropower was obtained through acquisition of Shuiluohe Company as mentioned in Note IV. 7(2). As at the acquisition date, all preliminary hydropower projects of Shuiluohe Company obtained approval for basin development and preliminarily work from SDRC. Amortisation of development right of hydropower will start after related hydropower plants are put into operation a over its operation period on a straight-line basis.

As at 31 December 2011, the Group has the mortgaged intangible assets that have been restricted on the ownership. Details are referred to Note V. 19.

As at 31 December 2011, the Group's total land use rights with indefinite life amounted to RMB 459,077,000 (2010: RMB 400,467,000). They were mainly land use rights assigned by the PRC's land bureau with indefinite land use period. As at 31 December 2011, based on the results of the impairment test on intangible assets with indefinite useful life, no additional provision for impairment was needed to be made on intangible assets with indefinite useful lives by the Group.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

15 Goodwill

Investee name	*Note*	Opening balance	Addition for the year	Decrease for the year	Closing balance	Provision for impairment at the year end
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Laicheng Plant	Note (1)	12,111	—	—	12,111	—
Zibo Thermal Power Company	Note (1)	4,555	—	—	4,555	—
Weifang Company	Note (1)	20,845	—	—	20,845	—
Zagunao Hydroelectric Company	Note (1)	16,011	—	—	16,011	—
Huarui Group Company	Note (1) (2)	54,164	—	(395)	53,769	—
Bainian Power Company	Note (1)	342,490	—	—	342,490	—
Pingshi Power Company	Note (1)	340,376	—	—	340,376	—
Total		790,552	—	(395)	790,157	—

Note:

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

(2) Jingxing Company, a subsidiary of Huarui Group Company who is a subsidiary of the Company, cancelled its registration in 2011, thus the goodwill attributable to Jinxing Company arising from the business combination over Huarui Group Company under non-common control is disposed correspondingly.

As at 31 December 2011, the Group had performed impairment test to goodwill mentioned above. According to the test results, no provision for impairment was needed to be made on the goodwill by the Group for the current year.

The Group allocated goodwill to asset groups identified according to operating area. The recoverable amount of asset group is determined based on the present value of expected future cash flows. The Group calculated the present value of expected future cash flows of asset group based on financial forecasts covering a five-year period ("forecast period") for Power Plants' generating units and a pre-tax discount rate of 8.00%. Management anticipates that the cash flows beyond forecast period are similar to cash flows in the last forecast period. Based on the estimated recoverable amount, no impairment loss was recognised.

Other key assumptions used to perform impairment test including estimated electricity price, demand conditions for electricity in the area of power plants and purchase price of coal. Management determined those key assumptions based on the historical operating performance and the expectation for future market condition, and they expected the above assumptions are subject to change. Management believes that any adverse change in the assumptions would cause the carrying amount of individual asset group to exceed its recoverable amount.

16 Deferred tax assets /deferred tax liabilities

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

Item	2011 Deductible/ (taxable) temporary differences	2011 Deferred tax assets/(liabilities)	2010 Deductible/ (taxable) temporary differences	2010 Deferred tax assets/ (liabilities)
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Provision for stock and bad debt	**107,028**	**26,757**	123,640	29,269
Accrued salary expenses	**31,356**	**7,839**	38,204	9,505
Tax losses	**2,648,172**	**662,043**	1,801,344	441,227
Fair value adjustment	**(6,028,882)**	**(1,482,624)**	(4,650,094)	(1,137,923)
Long-term payables discounting	**(640,840)**	**(160,210)**	(688,650)	(172,163)
Depreciation of fixed assets	**(3,973,351)**	**(993,587)**	(3,367,817)	(841,994)
Others	**29,400**	**7,350**	134,477	33,620
Total	**(7,827,117)**	**(1,932,432)**	(6,608,896)	(1,638,459)
Offsetting amount		**387,598**		307,054
Amounts after offsetting presented in balance sheet				
Deferred tax assets		**444,484**		322,269
Deferred tax liabilities		**(2,376,916)**		(1,960,728)
Total		**(1,932,432)**		(1,638,459)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

16 Deferred tax assets /deferred tax liabilities *(continued)*

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

The movements of deferred tax assets and liabilities for the year

	Deferred tax assets/(liabilities)				
	Opening balance	Movement charged to capital reserve	Movement charged to income statement	Acquisition of subsidiaries	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for stock and bad debt	29,269	—	(3,334)	822	26,757
Accrued salary expenses	9,505	—	(1,666)	—	7,839
Tax losses	441,227	—	206,071	14,745	662,043
Fair value adjustment	(1,137,923)	850	35,202	(380,753)	(1,482,624)
Long-term payables discounting	(172,163)	—	11,953	—	(160,210)
Depreciation of fixed assets	(841,994)	—	(88,072)	(63,521)	(993,587)
Others	33,620	—	(26,270)	—	7,350
Total	(1,638,459)	850	133,884	(428,707)	(1,932,432)

(2) Details of unrecognised deferred tax assets

Item	2011	2010
	RMB'000	RMB'000
Deductible tax losses	**4,640,006**	2,989,186

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

Year	2011	2010
	RMB'000	RMB'000
2011	**—**	23,878
2012	**20,391**	9,945
2013	**1,249,421**	1,550,174
2014	**27,820**	149,800
2015	**1,295,228**	1,255,389
2016	**2,047,146**	—
Total	**4,640,006**	2,989,186

(4) Unrecognised deferred tax liabilities

As at 31 December 2011, temporary differences relating to the undistributed profits of subsidiaries amounted to RMB 2,557,685,000 (2010: RMB 1,612,303,000). No deferred tax liability was recognised in respect of these taxable temporary differences as dividends from subsidiaries are not subject to PRC income tax, the Group controls the dividend policy of these subsidiaries and has no plan to dispose of these subsidiaries in the foreseeable future.

17 Other non-current assets

Item	2011	2010
	RMB'000	RMB'000
Prepayments for investment	**604,253**	270,810
VAT recoverable and other prepaid taxes	**776,918**	—
	1,381,171	270,810

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

VAT recoverable and prepaid taxes mainly represent VAT input arising from fixed assets acquisition, which is deductable from VAT output.

18 Details of provisions for impairment

Item	Note	Opening balance	Charge for the year	Decrease for the year: Reversal	Decrease for the year: Write off	Closing balance
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Provision for bad and doubtful debts						
Trade receivables	V.3	19,910	100	(13,260)	—	6,750
Other receivables	V.4	2,858	554	(186)	—	3,226
Provision for diminution in value of inventories	V.6	75,035	—	(233)	—	74,802
Total		97,803	654	(13,679)	—	84,778

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

19 Restricted assets

As at 31 December 2011, the assets with restrictions placed on their ownership were as follows:

Category	*Note*	Opening balance	Acquisition of subsidiaries	Additions for the year	Decrease for the year	Closing balance
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Assets used as guarantee						
— Cash at bank and on hand	V.1	30,678	4,000	383,701	(120,844)	297,535
— Bills receivables	V.2	—	—	7,000	—	7,000
— Trade receivables	V.3	55,699	1,245,000	819,149	(599,255)	1,520,593
— Inventory	V.6	—	—	53,250	—	53,250
— Fixed assets	V.11	111,383	—	—	(6,961)	104,422
— Construction in progress	V.12	—	1,585,412	84,429	—	1,669,841
— Intangible assets	V.14	161,225	—	—	(3,542)	157,683
Total		358,985	2,834,412	1,347,529	(730,602)	3,810,324

The Group's cash at bank and on hand used as guarantee represent bank deposits pledged for bills payable. The Group's bills receivables as guarantee represent commercial acceptance bills endorsed to third party, as the risk and rewards haven't transferred out yet. The Group's trade receivables used as guarantee represent trade receivables for sale of electricity pledged for short-term and long-term loans. The Group's inventory used as guarantee represents coal pledged for short-term loans while the Group's fixed assets, construction in progress and intangible assets used as guarantee represent plants and equipment, hydropower plant construction and land use rights mortgaged for long-term loans.

20 Short-term loans

(1) Short-term loans by category

Item	2011	2010
	RMB'000	*RMB'000*
Unsecured loans	**25,225,731**	24,249,330
Secured loans	**1,407,413**	50,000
Mortgaged loans	**66,000**	—
Guaranteed loans	**19,995**	—
Total	**26,719,139**	24,299,330

(2) As at 31 December 2011, the Group do not have any past due short-term loans.

21 Bills payable

Category	2011	2010
	RMB'000	*RMB'000*
Bank acceptance bills	**860,832**	1,581,011
Commercial acceptance bills	**55,000**	5,000
Payment of domestic letter of credit on behalf of others	**350,000**	622,000
	1,265,832	2,208,011

The bills payable above are due within one year.

22 Trade payables

(1) Details of trade payables are as follows:

Item	2011	2010
	RMB'000	*RMB'000*
Payables for fuel	**1,363,230**	1,314,599
Payables for construction, equipment and material	**3,998,629**	4,120,623
Payables for maintenance	**49,559**	67,059
Others	**6,433**	29,671
Total	**5,417,851**	5,531,952

As at 31 December 2011, the Group does not have any individually significant trade payables with ageing over one year.

The foreign currency included in the balance of trade payables amounted to USD nil (2010: USD 704,683).

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

23 Advances from customers

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

Item	2011	2010
	RMB'000	RMB'000
Sales of heat	**664,339**	530,862
Others	**126,796**	38,465
Total	**791,135**	569,327

As at 31 December 2011, the Group do not have any individually significant advances from customers with ageing over one year.

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

24 Wages payable

Item	Opening balance	Additions for the year	Payments for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Wages, bonuses, allowances and subsidies	47,274	1,491,451	1,529,790	8,935
Staff welfare	—	167,851	167,851	—
Social insurances				
Including: 1. Medical insurance	16,820	151,548	134,492	33,876
2. Pension insurance	6,447	373,511	373,021	6,937
3. Unemployment insurance	2,387	31,274	31,121	2,540
4. Work injury insurance	518	11,955	11,960	513
5. Maternity insurance	503	7,741	7,819	425
6. Supplementary pension insurance	401	81,098	80,882	617
Housing fund	8,098	328,892	328,556	8,434
Termination benefits	11,172	—	2,347	8,825
Labour union and staff education fund	36,308	61,244	58,989	38,563
Others	265	31,132	31,007	390
Total	130,193	2,737,697	2,757,835	110,055

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

25 Taxes payable

Item	2011	2010
	RMB'000	RMB'000
VAT	**210,249**	84,106
EIT	**126,072**	63,815
Individual income tax	**21,033**	26,426
Education surcharge	**16,029**	11,531
City maintenance and construction tax	**16,452**	17,226
Land use tax	**21,072**	30,074
Others	**35,560**	37,157
Total	**446,467**	270,335

26 Interests payable

Item	2011	2010
	RMB'000	RMB'000
Interests payable for loans	**304,887**	177,294
Interests payable for debentures	**116,445**	116,445
Total	**421,332**	293,739

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

27 Other payables

(1) Details of other payables are as follows:

Item	2011	2010
	RMB'000	*RMB'000*
Amounts due to China Huadian	**83,145**	79,165
Amounts due to other related parties	**121,238**	14,907
Amounts due to third parties	**4,701,379**	2,837,789
Total	**4,905,762**	2,931,861

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

(3) As at 31 December 2011, except for quality guarantee deposits of constructions, the Group does not have any individually significant payable items with ageing over one year.

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

28 Short-term debenture payables

Item	Opening balance	Addition for the year	Decrease for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Short-term debenture	3,008,983	3,642,751	(3,100,350)	3,551,384

(1) Details of short-term debenture payables are as follows:

Debenture	Face value	Date of issuance	Maturity period	Interest rate	Issuance amount	Opening balance	Additions for the year	Discount amortisation	Interest accrued for the year	Interest paid for the year	Principle paid for the year	Closing balance
	RMB'000		*Days*	*(%)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The first tranche of 2010 short-term debenture	100	1 September 2010	365	2.89	1,500,000	1,510,495	—	3,995	28,860	(43,350)	(1,500,000)	—
The second tranche of 2010 short-term debenture	100	6 December 2010	365	3.80	1,500,000	1,498,488	—	5,572	52,940	(57,000)	(1,500,000)	—
The first tranche of 2011 short-term debenture	100	11 August 2011	366	5.60	2,000,000	—	1,992,000	3,105	43,452	—	—	2,038,557
The second tranche of 2011 short-term debenture	100	20 October 2011	366	5.98	1,500,000	—	1,494,000	1,180	17,647	—	—	1,512,827
Total						3,008,983	3,486,000	13,852	142,899	(100,350)	(3,000,000)	3,551,384

As at 31 December 2011, the carrying amount of short-term debenture payables of the Group includes interest payable with the amount of RMB 61,099,000 (2010: RMB 18,550,000).

29 Non-current liabilities due within one year

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

Item	Note	2011	2010
		RMB'000	*RMB'000*
Long-term loans due within one year	(2)	**8,589,344**	7,265,405
Mid-term note payable due within one year	V.31	**1,499,052**	—
Obligation under finance lease due within one year	(3)	**143,119**	—
Long-term payables due within one year	(4)	**131,462**	143,427
Total		**10,362,977**	7,408,832

As at 31 December 2011, the foreign currencies included in the balance of long-term loans due within one year amounting to USD 1,522,114 and EUR 2,390,202 (2010: USD 102,233,512 and EUR 1,356,202), and the foreign currencies included in the balance of long-term payables due within one year amounting to USD 8,665,429 (2010: USD 8,063,177) at exchange rate 6.3009 and 8.1625 (2010: 6.6227 and 8.8065) respectively.

(2) Long-term loans due within one year

Item	2011	2010
	RMB'000	*RMB'000*
Secured loans	**938,575**	940,375
Mortgaged loans	**124,560**	124,560
Guaranteed loans	**117,301**	43,435
Unsecured loans	**7,408,908**	6,157,035
Total	**8,589,344**	7,265,405

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

29 Non-current liabilities due within one year *(continued)*

(2) Long-term loans due within one year *(continued)*

(a) At 31 December 2011, the top five largest long-term loans due within one year

Debtor	Loan starting date	Loan ending date	Currency	Interest rate	2011
				(%)	*RMB'000*
1. ICBC Beijing Xueyuan Road Subbranch	22 September 2011	16 November 2012	RMB	5.85	**500,000**
2. ICBC Beijing Xueyuan Road Subbranch	12 May 2010	10 May 2012	RMB	5.76	**400,000**
3. Shijiazhang Commercial Bank. Fuqiang Street Subbranch	29 April 2009	29 April 2012	RMB	5.99	**230,000**
4. Agricultural Bank of China. Suzhou Chengzhong Subbranch	23 April 2007	23 April 2012	RMB	5.99	**200,000**
5. Agricultural Bank of China. Shijiazhuang Xicheng Subbranch	30 June 2009	29 June 2012	RMB	5.99	**200,000**
6. ICBC Chengzhan Subbranch	21 November 2004	31 December 2012	RMB	6.35	**200,000**
7. Bohai Bank	25 December 2009	24 May 2012	RMB	7.32	**200,000**
Total					**1,930,000**

(b) As at 31 December 2011, the Group do not have any overdue loans in the balance of long-term loans due within one year.

(3) Obligation under finance lease due within one year

As at 31 December 2011, net obligations under finance leases due within one year is RMB 143,119,000 (Total amount of RMB 149,306,000, net of unrecognised finance charges amounting to RMB 6,187,000).

(4) Long-term payables due within one year

As at 31 December 2011, long-term payables due within one year including payables for debts of the Group as bank loan guarantor amounting to RMB 54,600,000 (2010: RMB 53,400,000) and payables for central heating construction amounting to RMB 76,862,000 (2010: RMB 90,027,000).

30 Long-term loans

(1) Long-term loans by category

Item	2011	2010
	RMB'000	*RMB'000*
Unsecured loans	**49,892,848**	42,372,697
Secured loans	**12,984,450**	12,474,825
Mortgaged loans	**3,284,216**	2,004,720
Loans guaranteed by third parties	**444,706**	423,011
Loans guaranteed by China Huadian	**1,711,804**	132,568
Loans guaranteed by China Huadian Finance	**2,000,000**	—
Loans guaranteed by SEPCO	**5,791**	17,578
Less: Long-term loans due within one year	**8,589,344**	7,265,405
Total	**61,734,471**	50,159,994

As at 31 December 2011, the foreign currencies included in the balance of long-term loans (excluding due within one year) amounting to USD 31,276,793 and EUR 21,157,613 (2010: USD 5,885,414 and EUR 22,830,423) at exchange rate 6.3009 and 8.1625 (2010: 6.6227 and 8.8065) respectively.

(2) As at 31 December 2011, the top five largest long-term loans

Debtor	Loan starting date	Loan ending date	Currency	Interest rate	2011	2010
				(%)	*RMB'000*	*RMB'000*
1. Syndicated Loans *(Note 1)*	26 December 2005	26 December 2025	RMB	6.35	**3,040,000**	3,080,000
2. Syndicated Loans *(Note 2)*	28 June 2006	18 June 2022	RMB	6.12	**2,100,000**	2,300,000
3. Syndicated Loans *(Note 3)*	27 June 2007	26 June 2022	RMB	6.83	**1,880,160**	2,004,720
4. ICBC Guang'an Branch	29 December 2005	29 December 2020	RMB	5.94-6.35	**1,500,000**	1,500,000
5. Kunlun Trust	19 December 2011	18 March 2013	RMB	7.32	**1,500,000**	—
Total					**10,020,160**	8,884,720

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

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

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

31 Debentures payable

Item	Opening balance	Addition for the year	Decrease for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000
Medium-term notes	5,346,441	16,190	—	5,362,631
Less: Debentures payable due within one year				1,499,052
				3,863,579

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

Debenture	Face value	Date of issuance	Maturity period	Interest rate	Issuance amount	Opening balance	Additions for the year	Discount amortisation	Closing balance
	RMB			(%)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The first tranche of 2009 medium-term notes	100	17 March 2009	From 18 March 2009 to 18 March 2012	3.38	1,500,000	1,494,556	—	4,496	1,499,052
The second tranche of 2009 medium-term notes	100	25 March 2009	From 26 March 2009 to 26 March 2014	3.96	1,500,000	1,485,460	—	4,497	1,489,957
The first tranche of 2010 medium-term notes	100	30 August 2010	From 31 August 2010 to 31 August 2015	3.78	2,400,000	2,366,425	—	7,197	2,373,622
Total						5,346,441	—	16,190	5,362,631

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

32 Long-term payables

Item	Note	2011	2010
		RMB'000	RMB'000
Payables for mining rights		—	389,287
Payables for debts	(1)	784,673	875,080
Payables for central heating construction		83,912	113,770
Obligations under finance leases	(2)	630,297	—
Less: Long-term payables due within one year		274,581	143,427
Total		1,224,301	1,234,710

As at 31 December 2011, the foreign currencies included in the balance of long-term payables (excluding due within one year) amounting to USD 115,867,987 (2010: USD 124,070,398) at exchange rate 6.3009 (2010: 6.6227).

(1) Payables for debts

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

(2) Obligations under finance leases

As at 31 December 2011, the total future minimum lease payments under finance leases, 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), are as follows:

Minimum lease payments	2011	2010
	RMB'000	RMB'000
Within one year (inclusive)	**149,306**	—
Between one and two years (inclusive)	**162,360**	—
Between two and three years (inclusive)	**162,360**	—
Over three year	**267,028**	—
Sub-total	**741,054**	—
Less: Finance expenses not recognized	**110,757**	—
Total	**630,297**	—

The obligations under finance leases due within one year, net of unrecognised finance charges, is disclosed in Note V.29.

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 fixed assets and intangible assets amounted to RMB 399,184,000 and RMB 315,927,000, respectively.

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

33 Other non-current liabilities

As at 31 December 2011, the other non-current liabilities included deferred income arising from cash received on heating pipe network construction amounting to RMB 1,190,240,000 (2010: RMB 577,866,000) and deferred government grants amounting to RMB 333,322,000 (2010: RMB 325,168,000) The above mentioned deferred income and deferred government grants are amortized over the estimated useful life of related assets using the straight-line method.

34 Share capital

	2011	2010
	RMB'000	*RMB'000*
Share capital	**6,771,084**	6,771,084

The share capital of the Company included A shares with restriction on disposals amounting to RMB 150,000,000, and shares without restriction on disposals amounting to RMB 6,621,084,200.

35 Capital reserve

Item	Opening balance	Additions for the year	Decrease for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share premiums	3,918,948	—	—	3,918,948
Other capital reserves	593,480	103,692	(8,719)	688,453
Total	4,512,428	103,692	(8,719)	4,607,401

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

36 Specific reserve

Specific reserve is the provisions for production maintenance and production safety expenditures based on coal production volume according to the related regulations.

37 Surplus reserve

Item	Opening balance	Additions for the year	Closing balance
	RMB'000	*RMB'000*	*RMB'000*
Statutory surplus reserve	1,465,465	13,956	1,479,421
Discretionary surplus reserve	68,089	—	68,089
Total	1,533,554	13,956	1,547,510

38 Retained profits

Item	*Note*	Amount	Appropriation rate
		RMB'000	
Opening balance of retained profits		3,109,795	
Add: Net profit attributable to equity shareholders of the Company		79,193	
Less: Appropriation for statutory surplus reserve		13,956	10%
Closing balance retained profits	(3)	3,175,032	

(1) Dividends of ordinary shares declared during the year

Pursuant to the shareholders' approval at the Shareholders' Meeting on 8 June 2011, a final dividend of RMB Nil (2010: RMB 0.035 per share totaling approximately RMB 236,987,947) was declared to the Company's ordinary shareholders.

(2) Distribution of dividends of ordinary shares proposed after the reporting date

The Board of Directors proposed on 28 March 2012 the appropriation of a cash dividend of RMB Nil per share (2010: RMB Nil) to the Company's ordinary shareholders. The proposal is subject to the approval by the Shareholders' Meeting.

(3) Retained earnings at the end of the year

The consolidated retained profits attributable to the Company included an appropriation of RMB 13,956,000 to surplus reserve made by the subsidiaries for the year (2010: RMB 47,541,000).

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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

39 Operating income and Operating costs

(1) Operating income and Operating costs

Item	2011	2010
	RMB'000	*RMB'000*
Revenue from principal activities	**54,178,060**	45,197,500
Revenue from other operating activities	**312,747**	251,278
Operating costs	**49,464,893**	42,121,006

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

Industry/product name	2011 Operating income	2011 Operating costs	2010 Operating income	2010 Operating costs
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Sale of electricity	**51,125,461**	**46,057,489**	43,529,734	39,975,567
Sale of heat	**2,697,878**	**2,930,472**	1,667,766	1,977,525
Sale of coal	**354,721**	**304,457**	—	—
Total	**54,178,060**	**49,292,418**	45,197,500	41,953,092

(3) Principal activities (by geographical area)

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

(4) Operating income from the top five customers in 2011

The Group has only one customer (2010: one) whose recognised revenue in 2011 accounted for more than 10% of total operating income. Operating income from the Group's top five customers are as follows:

Customer name	Operating income	Percentage of total operating income
	RMB'000	*(%)*
1. SEPCO	24,818,648	45.55
2. Sichuan Electric Power Corporation	4,718,307	8.66
3. Ningxia Electric Power Company	4,715,819	8.65
4. Henan Electric Power Company	3,380,423	6.20
5. Zhejiang Electric Power Company	3,055,043	5.61
Total	40,688,240	74.67

40 Sales taxes and surcharges

Item	2011	2010	Taxation basis and rates
	RMB'000	*RMB'000*	
City maintenance and construction tax	**116,921**	110,940	1-7% of VAT payable
Education surcharge	**92,459**	75,496	3-5% of VAT payable
Total	**209,380**	186,436	

41 General and Administrative Expenses

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

42 Finance expenses

Item	2011	2010
	RMB'000	*RMB'000*
Interest expenses from loans and payables	**5,976,303**	4,129,910
Less: Borrowing costs capitalised	**878,022**	732,612
Interest income from deposits and receivables	**(65,680)**	(26,532)
Net exchange gains	**(120,095)**	(86,214)
Other finance expenses	**12,753**	4,337
Total	**4,925,259**	3,288,889

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

43 Investment income

(1) Investment income by item

Item	Note	2011 RMB'000	2010 RMB'000
Income from long-term equity investments under cost method	(2)	**40,490**	—
Income from long-term equity investments under equity method	(3)	**556,872**	328,230
Investment income from disposal of long-term equity investments	(4)	**102,400**	457,274
Gain on dilution of an associate	(5)	**568,870**	—
Investment income from the remeasurement to fair value of previously-held equity interest before step acquisition	IV.6(1)	**13,011**	59,029
Investment income from holding available-for-sale financial assets		**143**	1,678
Total		**1,281,786**	846,211

(2) The significant investment income from long-term equity investments under cost method are as follows:

Investee	2011 RMB'000	2010 RMB'000	Reason for movements for the year
Luneng Heze Company	**40,490**	—	Under cost method, investment income is recognised

(3) Investment income from long-term equity investments under equity method, individual of which is more than 5% of total profits, are as follows:

Investee	2011 RMB'000	2010 RMB'000	Reason for movements for the year
Huadian Coal	**118,264**	128,196	Profit or loss from normal operations
China Huadian Finance	**110,160**	38,949	Profit or loss from normal operations
Fucheng Mining Company	**95,542**	74,631	Profit or loss from normal operations
Ningxia Power Company	**79,250**	116,508	Profit or loss from normal operations
Changcheng Mine Company	**63,090**	33,569	Profit or loss from normal operations

(4) In 2011, the investment income is mainly from disposal of long-term equity investments in Chizhou company, please refer to the note V.10(2).

(5) Gain on dilution of an associate

Huadian Coal is an associate of the Group and the Group effectively holds 17.94% equity interest in Huadian Coal as at 31 December 2010. In March 2011, the third party of strategic investors participated in the capital enlargement of Huadian Coal with total capital injection of RMB 6,000 million. As a result of the capital injection, the third party of strategic investors holds 30% equity interest in Huadian Coal, the Group's effective equity interest in Huadian Coal has been diluted to 12.56% and a gain on the dilution of RMB 568 million has been recognized by the Group, among which, RMB 528 million is recognized by the Company.

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 million. 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.

44 (Reversal)/loss of impairment

Item	2011 RMB'000	2010 RMB'000
(Reversal)/loss of bad and doubtful debts		
Accounts receivable	**(13,160)**	(12,723)
Other receivables	**368**	(1,633)
Reversal of provision of inventories	**(233)**	(183)
Total	**(13,025)**	(14,539)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

45 Non-operating income

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

Item	Note	2011	2010	Amount recognized in extraordinary gain and loss
		RMB'000	RMB'000	
Gains on disposal of fixed assets		**2,744**	48,754	2,744
Government grants	(2)	**327,280**	128,296	317,776
CERs income		**113,804**	30,195	—
Gains from acquisition of Shijiazhuang Heat Entities at nil consideration		—	621,196	—
Others		**87,172**	24,949	87,172
Total		**531,000**	853,390	407,692

(2) Details of government grants

Item	2011	2010
	RMB'000	RMB'000
VAT refunding of wind and stalk power generation *(Note 1)*	**9,504**	10,097
Taxes refunding of sale of heat *(Note 2)*	**23,592**	23,580
Grants of eliminating backward production facilities	**31,500**	1,620
Grants of sale of heat	**89,738**	42,819
Grants of sale of electricity *(Note 3)*	**116,224**	5,643
Interest subsidies	**19,864**	29,917
Others	**36,858**	14,620
Total	**327,280**	128,296

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

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

Note 3: According to the related Notice from Local government and the Local Ministry of Finance, parts of the Group's generation companies earned the grants for electricity generation and coal purchasing.

46 Non-operating expenses

Item	2011	2010	Amount recognized in extraordinary gain and loss
	RMB'000	RMB'000	
Losses on disposal of fixed assets	**3,137**	2,549	**3,137**
Donations	**290**	1,215	**290**
CERs expenses	**9,937**	1,467	—
Others	**7,186**	4,197	**7,186**
Total	**20,550**	9,428	**10,613**

47 Income tax

Item	Note	2011	2010
		RMB'000	RMB'000
Income tax for the year based on tax law and corresponding regulations		**166,406**	137,734
Deferred taxation adjustments	(1)	**(133,884)**	(11,694)
(Over)/under-provision for income tax in respect of preceding year		**(457)**	477
Total		**32,065**	126,517

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

47 Income tax *(continued)*

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

Item	2011	2010
	RMB'000	*RMB'000*
Origination and reversal of temporary differences	**(62,597)**	(11,694)
Recognition of previously unrecognised tax losses	**(71,287)**	—
Total	**(133,884)**	(11,694)

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

Item	2011	2010
	RMB'000	*RMB'000*
Profit before taxation	**176,788**	232,729
Expected income tax at a tax rate of 25%	**44,197**	58,182
Add: Non-deductible expenses	**19,084**	77,524
Non-taxable income	**(341,766)**	(199,184)
Effect of preferential tax rate of subsidiaries on income tax	**(89,033)**	(86,933)
(Over)/under-provision in respect of preceding year	**(457)**	477
Tax losses	**400,040**	276,451
Income tax expense	**32,065**	126,517

48 Calculation of basic earnings per share and diluted earnings per share

(1) Basic earnings per share

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

	2011	2010
Consolidated net profit of the Company attributable to ordinary shareholders *(RMB'000)*	**79,193**	207,844
Weighted average number of ordinary shares outstanding *('000 share)*	**6,771,084**	6,771,084
Basic earnings per share *(RMB per share)*	**0.012**	0.031

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

	2011	2010
	'000 share	*'000 share*
Weighted average number of ordinary shares at 1 January and 31 December	**6,771,084**	6,771,084

(2) Diluted earnings per share

There were no dilutive potential ordinary shares in existence for the year ended 31 December 2011, therefore the diluted earnings per share is the same as the basic earnings per share.

49 Other comprehensive income

Item	2011	2010
	RMB'000	*RMB'000*
1. Losses arising from available-for-sale financial assets	**(3,400)**	(23,302)
Less: Tax expenses arising from available-for-sale financial assets	**(850)**	(5,846)
Sub-total	**(2,550)**	(17,456)
2. Share of other comprehensive income of investees accounted for under the equity method	**(8,393)**	2,176
Less: Reclassification adjustments for amounts transferred to profit or loss	**(2,831)**	1,445
Sub-total	**(5,562)**	731
Total	**(8,112)**	(16,725)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

50 Notes to cash flow statement

(1) Other cash received relating to operating activities

Item	Amount *RMB'000*
Cash received relating to other operating activities	395,211
Government grants received relating to profits	319,630
Others	57,442
Total	772,283

(2) Other cash paid relating to operating activities

Item	Amount *RMB'000*
Cash paid relating to administration expenses	1,105,285
Cash paid relating to cash receipt from sale of electricity which collected on behalf of others under trade receivables factoring	350,000
Others	231,347
Total	1,686,632

(3) Other cash received relating to investing activities

Item	Amount *RMB'000*
Interest income	64,760
Cash received relating to guarantee for acquisition	50,000
Cash received relating to guarantee for bidding	51,458
Total	166,218

(4) Other cash paid relating to investing activities

Item	Amount *RMB'000*
Fix deposit over six months	5,000
Gain of minority interest	39,995
Others	7,147
Total	52,142

(5) Other cash received relating to financing activities

Item	Amount *RMB'000*
Cash received relating to bills financing	52,000
Government grants received relating to assets	140,354
Total	192,354

(6) Other cash paid relating to financing activities

Item	Amount *RMB'000*
Cash repaid relating to bills financing	644,000
Cash paid relating to finance lease deposit	90,000
Cash paid relating to finance lease surcharge	91,254
Others	51,603
Total	876,857

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *(CONTINUED)*

51 Information of cash flow statement

(1) Supplement to cash flow statement

Supplement	2011 RMB'000	2010 RMB'000
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	**144,723**	106,212
Add: Reversal of impairment provisions for assets	**(13,025)**	(14,539)
Depreciation of fixed assets	**5,341,395**	4,516,559
Amortisation of intangible assets	**184,829**	131,248
Losses/(gains) on disposal of fixed assets	**393**	(46,205)
Maintenance and production fund and production safety related expenditures	**3,845**	—
Finance expenses	**4,925,259**	3,288,889
Gains arising from investments	**(1,281,786)**	(846,211)
Gains from acquisition of Shijiazhuang Heat Entities at nil consideration	—	(621,196)
(Increase)/decrease in deferred tax assets	**(122,215)**	7,838
Decrease in deferred tax liabilities	**(11,669)**	(19,532)
Increase in gross inventories	**(959,063)**	(264,018)
Increase in operating receivables	**(1,547,000)**	(531,884)
Increase in operating payables	**66,956**	351,561
Net cash flow from operating activities	**6,732,642**	6,058,722
2. Change in cash and cash equivalents:		
Cash at the end of the year	**2,111,725**	1,235,758
Less: Cash at the beginning of the year	**1,235,758**	1,241,900
Net increase/(decrease) in cash and cash equivalents	**875,967**	(6,142)

(2) Information on acquisition of subsidiaries during the year

Item	2011 RMB'000	2010 RMB'000
1. Consideration of acquisition	**3,337,170**	2,705,075
2. Cash and cash equivalents paid for acquiring subsidiaries	**2,030,569**	2,478,369
Add: Cash and cash equivalents paid for last year acquiring subsidiaries in current year	**100,997**	218,700
Expenditure paid for acquiring subsidiaries	**5,088**	7,470
Less: Cash and cash equivalents paid for current year acquiring subsidiaries in last year	—	30,000
Cash and cash equivalents held by subsidiaries	**582,898**	473,714
3. Net cash paid for the acquisition	**1,553,756**	2,200,825
4. Non-cash assets and liabilities held by the acquired subsidiaries		
Current assets	**320,153**	1,038,547
Non-current assets	**8,289,856**	6,655,116
Current liabilities	**(1,127,960)**	(2,867,795)
Non-current liabilities	**(2,956,763)**	(5,197,835)

(3) Details of cash and cash equivalents

Item	2011 RMB'000	2010 RMB'000
1. Cash at bank and on hand		
Including: Cash on hand	**1,950**	2,155
Bank deposits available on demand	**2,109,361**	1,231,710
Other monetary fund available on demand	**414**	1,893
2. Closing balance of cash and cash equivalents	**2,111,725**	1,235,758

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

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS

1 Parent of the Company

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

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

2 Please refer to Note IV. 1 for the information related to subsidiaries of the Company.

3 Please refer to Note V. 10 for information related to associates of the Company.

4 Other related parties

Name of other related parties	Related party relationship	Organisation code
SITC	Holding 11.83% equity interest of the Company	16304514-X
China Huadian Engineering (Group) Corporation ("Huadian Engineering") and its subsidiaries	Controlled by China Huadian	10001149-5
CHD Power Plant Operation Company Limited ("CHD Operation")	Controlled by China Huadian	71093481-X
Beijing Anfu Real Estate Development Co., Ltd. ("Anfu Company")	Controlled by China Huadian	80144508-5
Huadian Technology & Trade Co., Ltd. ("Huadian Technology & Trade")	Controlled by China Huadian	71092444-3
Huadian Tendering Co., Ltd. ("Huadian Tendering")	Controlled by China Huadian	71093130-1
China Huadian Group Capital Holdings Limited ("CHD Capital")	Controlled by China Huadian	71093480-1
China Huadian New Energy Development Company Limited ("Huadian New Energy")	Controlled by China Huadian	71093502-X
China Fortune International Trust Co., Ltd. ("Fortune Trust")	Controlled by China Huadian	19352565-4
Huadian Shanxi Energy Limited ("Huadian Shanxi Energy") and its subsidiaries	Controlled by China Huadian	69429229-1

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

5 Transactions with related parties

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

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

The Group

Related party	Content of transaction	2011 Amount	2011 Percentage of the same type of transaction	2010 Amount	2010 Percentage of the same type of transaction
	Note 1	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Huadian Engineering and its subsidiaries	Construction expenses and Equipment expenses	427,378	2.79	148,246	1.08
Huadian Engineering's subsidiaries	Technical Service fee	18,641	21.69	—	—
CHD Capital	Agency fees	5,157	100.00	1,510	100.00
Huadian Coal	Coal services fees	—	—	60,950	100.00
	Purchase of coal	1,535,138	3.91	—	—
China Huadian, Changcheng Mine Company and Fucheng Mining Company	Purchase of coal	35,546	0.09	—	—
Ningdong Railway Company	Fuel transportation fees	75,830	1.66	18,826	0.65
Huadian New Energy	CDM services fees	7,501	100.00	—	—
Huadian Technology & Trade	Property management services fees	7,059	23.35	7,059	28.09
Hengxing Company, Guotai Company, Xibaipo Company, and Xingtai Xiangtai Thermal Power Company Limited ("Xiangtai Company")	Purchase of electricity	150,651	39.92	327,235	36.20
Baoding Huacheng Residual Thermal Power Generation Company Limited ("Huacheng Company") and Xiangtai Company	Sale of electricity rights	125,267	27.01	186,390	18.01
Shijiazhuang Heat Company and its subsidiaries	Sale of heat	—	—	756,618	45.37
CHD Operation and China Huadian	Provision of maintenance service	4,673	61.39	—	—
Zoucheng Lunan Electricity Power Technology Development Company Limited ("Lunan Company") and Hebei Tianwei-huarui Electric Company Limited ("Tianwei-huarui Company")	Maintenance fee	11,128	1.80	—	—
Huadian Shanxi Energy	Purchase of quota service	100,000	100.00	—	—
Key management personnel	Payment of remuneration	8,124	0.30	6,755	0.32

The Company

Related party	Content of transaction	2011 Amount	2011 Percentage of the same type of transaction	2010 Amount	2010 Percentage of the same type of transaction
	Note 1	*RMB'000*	*(%)*	*RMB'000*	*(%)*
CHD Capital	Agency fees	200	100.00	200	100.00
Huadian Technology & Trade	Property Management services fees	7,059	50.05	7,059	100.00
Key management personnel	Payment of remuneration	8,124	1.25	6,755	1.24

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

(2) Related party lease

Table of transactions concerning leasing in:

The Group and the Company

Lessor name	Lessee name	Type of assets leased	Inception date of lease	Maturity date of lease	Basis for determining lease expense	Lease expenses recognized in 2011
						RMB'000
Anfu Company	The Company	China Huadian Building	1 April 2009	31 December 2014	Trustee area	49,001
CHD Operation	The Company	Buildings and vehicle	1 November 2011	31 October 2013	Trustee period	217

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

5 Transactions with related parties *(continued)*

(3) Related party guaranty

The Group

Guarantor	Guarantee	Amount of guaranty	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
		RMB'000			
Providing guaranty					
Guang'an Company	Sichuan Huayingshan Longtan Coal Power Company Limited	**163,757**	9 January 2006	14 April 2022	N
Zhongning Company	Ningxia Power Company	**26,800**	22 December 2006	21 December 2021	N
Guaranty secured					
China Huadian	Banshan Company	**111,804**	25 June 2004	30 May 2022	N
China Huadian	Lingwu Company	**1,600,000**	6 January 2011	20 March 2021	N
China Huadian Finance	The Company	**1,500,000**	19 December 2011	18 March 2013	N
China Huadian Finance	The Company	**500,000**	20 December 2011	19 March 2013	N

The Company

Guarantor	Guarantee	Amount of guaranty	Inception date of guaranty	Maturity date of guaranty	Guaranty completed (Y/N)
		RMB'000			
Providing guaranty					
The Company	Suzhou Biomass Energy Company	**148,200**	29 July 2008	29 July 2025	N
The Company	Ningdong Wind Power Company	**30,000**	13 March 2009	12 February 2023	N
The Company	Kailu Wind Power Company	**213,571**	12 August 2009	23 August 2022	N
The Company	Kailu Wind Power Company	**183,500**	19 June 2009	11 July 2022	N
The Company	Kailu Wind Power Company	**370,000**	27 September 2011	29 September 2022	N
The Company	Xinxiang Company	**179,956**	30 December 2011	29 December 2014	N
The Company	Suzhou Company	**58,200**	29 December 2009	19 August 2019	N
The Company	Maohua Company	**251,811**	30 August 2012	8 January 2016	N
The Company	Maohua Company	**380,000**	30 July 2013	29 July 2015	N
The Company	Maohua Company	**368,000**	22 September 2016	21 September 2018	N
Guaranty secured					
China Huadian Finance	The Company	**1,500,000**	19 December 2011	18 March 2013	N
China Huadian Finance	The Company	**500,000**	20 December 2011	19 March 2013	N

(4) Related party borrowing and refunding

The Group

Related party	Borrowing Amount	Refunding Amount	Interest income recognised in 2011
Funds provided	*RMB'000*	*RMB'000*	*RMB'000*
Linfen Changfa Company	—	—	**1,715**
Ningxia Power Company	—	—	**1,268**
Zhongxing Power Company	—	—	**217**
Total	—	—	**3,200**

Related party	2011	2010	Interest income recognised in 2011
Deposit	*RMB'000*	*RMB'000*	*RMB'000*
China Huadian Finance	**1,077,982**	604,821	**31,111**

Related party	Borrowing Amount	Refunding Amount	Interest income recognised in 2011
Funds received	*RMB'000*	*RMB'000*	*RMB'000*
China Huadian	**340,514**	—	**62,705**
SITC	**1,578,507**	**(2,050,000)**	**104,330**
China Huadian Finance	**5,690,000**	**(7,322,132)**	**519,391**
CHD Operation	—	**(30,000)**	**323**
Fortune Trust	**400,000**	—	**27,441**
Huadian Tendering	**250,000**	**(200,000)**	**7,556**
Total	**8,259,021**	**(9,602,132)**	**721,746**

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

5 Transactions with related parties *(continued)*

(4) Related party borrowing and refunding *(continued)*

The Company

Related party Funds provided	Borrowing Amount RMB'000	Refunding Amount RMB'000	Interest income recognised in 2011 RMB'000
Zagunao Hydroelectric Company	**100,000**	—	**280**
Maohua Company	**70,000**	—	**1,642**
Shantou Company	**262,000**	—	**6,305**
Total	**432,000**	—	**8,227**

Related party Deposit	2011 RMB'000	2010 RMB'000	Interest income recognised in 2011 RMB'000
China Huadian Finance	**48,049**	30,476	**3,438**

Related party Funds received	Borrowing Amount RMB'000	Refunding Amount RMB'000	Interest expense recognised in 2011 RMB'000
China Huadian	**27,207**	—	—
SITC	**250,000**	**(2,000,000)**	**61,548**
China Huadian Finance	**2,140,000**	**(4,295,000)**	**157,728**
Huadian Tendering	**100,000**	—	**2,770**
Fortune Trust	**400,000**	—	**27,441**
Materials Company	**50,000**	**(50,000)**	**2,392**
Total	**2,967,207**	**(6,345,000)**	**251,879**

(5) Related party transferring of equity interests

The Group and the Company:

Related party	Content of transaction	2011 Consideration RMB'000	2011 Percentage of the same type of transaction (%)	2010 Amount RMB'000	2010 Percentage of the same type of transaction (%)
China Huadian	Sales of equity interest	—	—	721,956	98.40

(6) Commitment with related parties

As at 31 December 2011, commitment with related parties is as follows:

Item	2011 RMB'000	2010 RMB'000
Capital commitment	**368,215**	85,427
Commitment on properties rental and management fees	**156,076**	70,077
Total	**524,291**	155,504

VI. RELATED PARTY AND RELATED PARTY TRANSACTIONS *(CONTINUED)*

6 Balance of related party receivables, payables, loans and deposits

The Group

Item	Related party	2011	2010
		RMB'000	*RMB'000*
Receivables from related party			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	**249,515**	91,760
Prepayments for fuel	Huadian Coal, China Huadian, Changcheng Mine Company and Fucheng Mining Company	**70,353**	—
Prepayments for fuel transportation	Ningdong Railway Company and Erpu Transportation and Sales Company	**93,795**	1,007
Trade receivables for sales of electricity rights	Huacheng Company	**—**	11,584
Deposit	China Huadian Finance	**1,077,982**	604,821
Entrusted loans	Ningxia Power Company	**20,000**	—
Payment made on behalf	Linfen Changfa Company and Zhongxing Power Company	**66,576**	48,068
Prepayments for investment	Huadian Shanxi Energy and its subsidiaries	**44,268**	—
Payables to related party			
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	**(268,597)**	(51,628)
Trade Payables for coal services fees	Huadian Coal	**—**	(1,115)
Trade Payables for fuel	Huadian Coal	**(4,586)**	—
Trade Payables for CDM service fee	Huadian New Energy	**(787)**	—
Trade Payables for maintenance service fee	Lunan Company and Tianwei-huarui Company	**(624)**	—
Trade Payables for capacity quota	Huadian Shanxi Energy	**(99,500)**	—
Other payables	China Huadian	**(83,145)**	(79,165)
Receipt in advance for sales of electricity rights	Huacheng Company	**(10,000)**	—
Loans from shareholders	China Huadian and SITC	**(3,240,396)**	(3,371,375)
Other Loans	China Huadian Finance, Huadian Tendering,CHD Operation and Fortune Trust	**(6,986,085)**	(8,198,217)

The Company

Item	Related party	2011	2010
		RMB'000	*RMB'000*
Receivables from related party			
Prepayments for construction and construction materials	Huadian Engineering and its subsidiaries	**26,620**	178
Entrusted loans	Zagunao Hydroelectric Company, Maohua Company, and Shantou Company	**495,548**	55,365
Deposits	China Huadian Finance	**47,109**	30,478
Prepayments for purchase of materials	Material Company	**3**	800
Prepayments for purchase of fuel	Huadian Coal	**20,300**	—
Payables to related party			
Other payables	China Huadian	**(82,945)**	(78,965)
Trade Payables for construction equipments	Huadian Engineering and its subsidiaries	**(2,153)**	(54)
Loans from shareholders	China Huadian and SITC	**(393,127)**	(2,115,920)
Other Loans	Huadian Tendering, Fortune Trust, China Huadian Finance and Material Company	**(845,000)**	(2,500,000)
(Receipt)/payment in advance for sales and purchase of fuel	The Company's subsidiaries	**(79,296)**	375,093

VII. CONTINGENCIES

Except for the guarantees as set out in Note VI 5(3), the Group has no other material contingent liabilities as at 31 December 2011.

VIII. SIGNIFICANT COMMITMENTS

1 Capital commitments

Item	2011	2010
	RMB'000	*RMB'000*
Investment contracts entered into but not performed or performed partially	**1,487,686**	615,000
Significant construction contracts entered into under performance or preparation of performance	**15,261,795**	13,169,436
Construction contracts authorised but not signed	**23,662,289**	14,737,261
Total	**40,411,770**	28,521,697

VIII. SIGNIFICANT COMMITMENTS *(CONTINUED)*

2 Operating lease commitments

As at 31 December, the total future minimum lease payments under non-cancellable operating leases of land and buildings were payable as follows:

Item	2011	2010
	RMB'000	RMB'000
Within one year (inclusive)	88,023	79,937
Between one and two years (inclusive)	79,042	43,102
Between two and three years (inclusive)	77,811	29,869
Over three years	362,014	390,794
Total	606,890	543,702

IX. OTHER SIGNIFICANT ITEMS

1 Segment reporting

The Group's principal operating business is the generation and sale of electricity in the PRC. Based on the structure of the Group's internal organisation, management requirements and the internal reporting system, the Group determines that it only has one reportable segment, which is the generation and sale of electricity in the PRC. Therefore, no additional reportable segment has been presented and no additional information about geographical areas has been disclosed. The Group's transaction information has been disclosed in Note V. 39. The Group's major external customer is the grid operator in relation to the sale of electricity and the revenue has been disclosed in Note V. 39 and Note IX. 2(1).

2 Risk analysis, sensitivity analysis, and fair values for financial instruments

The Group has exposure to the following risks from its use of financial instruments in the normal course of the Group's operations, which mainly include:

- Credit risk
- Liquidity risk
- Interest rate risk
- Foreign currency risk

This note presents information about the Group's exposure to each of the above risks and their sources, the Group's objectives, policies and processes for measuring and managing risks, etc.

The Group aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Group's financial performance. Based on such objectives, the Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The internal audit department of the Group undertakes both regular and ad-hoc reviews of risk management controls and procedures.

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Group's credit risk is primarily attributable to cash at bank and receivables. Exposure to these credit risks are continuously monitored by management on an ongoing basis.

The cash at bank of the Group is mainly held with well-known financial institutions. Management does not foresee any significant credit risks from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

In respect of receivables, the Group has established a credit policy. All the customers of the Group have long-term business relationship with it, of which are mainly grid companies, thermal companies, coal-fired power companies and coal transportation and sales companies that rarely have credit loss. For monitoring the credit risk, the Group analysed its customers' information through ageing and other factors. Receivables from grid companies, coal-fired power companies and coal transportation and sales companies are due within 30 days from the date of billing. And receivables from thermal companies are due within 90 days. Normally, the Group does not obtain collateral from customers. In respect of other receivables, the Group performed individual credit evaluations on customers' financial status regularly to monitor credit risk. Provision for bad and doubtful debts meets management's expectation.

The ageing analysis of debtors that are past due but not impaired based on individual or collective assessment is set out as follows:

Ageing	2011	2010
	RMB'000	RMB'000
Past due within three months (inclusive)	37,972	50,635
Past due three to six months (inclusive)	73,001	42,631
Past due six months to one year (inclusive)	96,781	72,376
More than one year past due	87,556	2,493
Total	295,310	168,135

The debtors of the Group that are neither past due nor impaired mainly relate to a wide range of customers for whom there was no recent history of default.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry, country or area in which the customers operate and therefore significant concentrations of credit risk arise primarily when the Group has significant exposure to individual customers. At the balance sheet date, 65% (2010: 69%) of the total trade receivables and other receivables were due from the five largest customers of the Group. Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. Except for the financial guarantees given by the Group and the Company as set out in Note VI.5(3), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note VI.5(3).

IX. OTHER SIGNIFICANT ITEMS *(CONTINUED)*

2 Risk analysis, sensitivity analysis, and fair values for financial instruments *(continued)*

(2) Liquidity risk

Liquidity risk is the risk that an enterprise may encounter deficiency of funds in meeting obligations associated with financial liabilities. The Company and its individual subsidiaries are responsible for their own cash management, including short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash, readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

At the balance sheet date, rest of contractual term and the earliest payment date required of the contractual cash flows belonging to the Group's financial assets and liabilities which have not been discounted, including interests calculated on contractual interest rate (if the interest rate is float, the actual interest rate as at 31 December is adopted) are as follows:

	2011 Contractual undiscounted cash flow					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash at bank and on hand	2,474,260	—	—	—	2,474,260	2,474,260
Receivables	6,029,867	—	—	—	6,029,867	6,018,916
Available-for-sale financial assets	39,506	—	—	—	39,506	39,506
Long-term receivables	5,272	90,861	98,961	—	195,094	176,365
Sub-total	8,548,905	90,861	98,961	—	8,738,727	8,709,047
Financial liabilities						
Short-term loans	(27,489,753)	—	—	—	(27,489,753)	(26,719,139)
Short-term debenture payables	(3,701,700)	—	—	—	(3,701,700)	(3,551,384)
Long-term loans (including due within one year)	(12,691,999)	(14,973,844)	(28,429,428)	(40,235,884)	(96,331,155)	(70,323,815)
Debentures payable (including due within one year)	(1,660,955)	(150,120)	(4,095,273)	—	(5,906,348)	(5,362,631)
Payables	(12,136,063)	—	—	—	(12,136,063)	(12,132,576)
Long-term payables (including due within one year)	(280,768)	(899,483)	(429,388)	—	(1,609,639)	(1,498,882)
Sub-total	(57,961,238)	(16,023,447)	(32,954,089)	(40,235,884)	(147,174,658)	(119,588,427)
Net amount	(49,412,333)	(15,932,586)	(32,855,128)	(40,235,884)	(138,435,931)	(110,879,380)

	2010 Contractual undiscounted cash flow					
Item	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	Balance sheet carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets						
Cash at bank and on hand	1,266,436	—	—	—	1,266,436	1,266,436
Receivables	4,583,720	—	—	—	4,583,720	4,581,383
Available-for-sale financial assets	42,906	—	—	—	42,906	42,906
Long-term receivables	4,032	4,032	72,425	—	80,489	68,393
Sub-total	5,897,094	4,032	72,425	—	5,973,551	5,959,118
Financial liabilities						
Short-term loans	(24,890,017)	—	—	—	(24,890,017)	(24,299,330)
Short-term debenture payables	(3,100,350)	—	—	—	(3,100,350)	(3,008,983)
Long-term loans (including due within one year)	(10,169,406)	(11,173,517)	(22,499,840)	(32,245,867)	(76,088,630)	(57,425,399)
Debentures payable	(200,172)	(1,700,474)	(4,289,913)	—	(6,190,559)	(5,346,441)
Payables	(11,105,218)	—	—	—	(11,105,218)	(11,103,420)
Long-term payables (including due within one year)	(143,427)	(456,380)	(778,330)	—	(1,378,137)	(1,378,137)
Sub-total	(49,608,590)	(13,330,371)	(27,568,083)	(32,245,867)	(122,752,911)	(102,561,710)
Net amount	(43,711,496)	(13,326,339)	(27,495,658)	(32,245,867)	(116,779,360)	(96,602,592)

In order to resolve the liquid risk arising from the maturity of short term loan contract, the group will continually communicate and cooperate with bank and other financial institutes to acquire more financing. As at 31 December 2011, the Group has unused bank credit limits and debts financing facilities of RMB 82,523 million and 11,500 million respectively (the Group has issued short-term debenture of RMB 1,500 million and private directional debt financial instrument of RMB 5,000 million after the balance sheet date). In addition, the Company is approved by the CSRC in February 2012 to issue 600 million A share through private placement with an expected financing amount of RMB 1,900 million.

IX. OTHER SIGNIFICANT ITEMS *(CONTINUED)*

2 Risk analysis, sensitivity analysis, and fair values for financial instruments *(continued)*

(3) Interest rate risk

Interest-bearing financial instruments at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest risk, respectively. The Group determines the appropriate weightings of the fixed and floating rate interest-bearing instruments based on the current market conditions and performs regular reviews and monitoring to achieve an appropriate mix of fixed and floating rate exposure.

(a) As at 31 December, the Group held the following interest-bearing financial instruments:

Item	2011 Annual interest rate (%)	2011 Amount RMB'000	2010 Annual interest rate (%)	2010 Amount RMB'000
Fixed rate instruments				
Financial assets				
— Cash at bank	3.10-4.50	317,950	1.91-2.20	52,575
— Other receivables	7.22	8,000	2.50-5.40	68,068
Financial liabilities				
— Short-term loans	4.37-7.87	(10,242,263)	4.37-5.56	(18,419,210)
— Long-term loans (including due within one year)	2.25-7.70	(3,196,285)	2.25-5.40	(2,879,084)
— Short-term debenture payables	2.89-5.98	(3,551,384)	2.89-3.80	(3,008,983)
— Debentures payable	3.38-3.96	(5,362,631)	3.38-3.96	(5,346,441)
— Other payables	6.10	(50,000)	—	—
Total		(22,076,613)		(29,533,075)

Item	2011 Annual interest rate (%)	2011 Amount RMB'000	2010 Annual interest rate (%)	2010 Amount RMB'000
Variable rate instruments				
Financial assets				
— Cash at bank	0.50-1.49	2,154,360	0.36	1,211,706
— Other receivables	7.59	140,105	—	—
— Long term receivables	4.00-6.65	136,365	5.76	68,393
Financial liabilities				
— Short-term loans	2.92-8.53	(16,476,876)	2.50-5.81	(5,880,120)
— Long-term loans (including due within one year)	0.66-9.31	(67,127,530)	0.98-6.40	(54,546,315)
— Other payables	5.90	(68,780)	5.23	(68,780)
Total		(81,242,356)		(59,215,116)

(b) Sensitivity analysis

As at 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's equity and net profit by RMB655,494,000 (2010: RMB488,163,000).

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the net profit and equity is estimated as an annualised impact on interest expense or income of such a change in interest rates. The analysis is performed on the same basis for the previous year.

(4) Foreign currency risk

In respect of accounts receivables and payables denominated in foreign currencies other than the functional currency, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

(a) As at 31 December, the Group's exposure to currency risk arising from recognised assets or liabilities denominated in foreign currencies is presented in the following tables. For presentation purposes, the amounts of the exposure are shown in Renminbi, translated using the spot rate at the balance sheet date.

Item	2011 USD RMB'000	2011 EUR RMB'000	2010 USD RMB'000	2010 EUR RMB'000
Cash at bank	4,710	—	481	—
Short-term loans	(1,179,712)	—	(649,120)	—
Long-term loans (including due within one year)	(206,663)	(192,210)	(716,039)	(212,999)
Trade payables	—	—	(4,667)	—
Long-term payables (including due within one year)	(784,673)	—	(875,081)	—
Net balance sheet exposure	(2,166,338)	(192,210)	(2,244,426)	(212,999)

IX. OTHER SIGNIFICANT ITEMS *(CONTINUED)*

2 Risk analysis, sensitivity analysis, and fair values for financial instruments *(continued)*

(4) Foreign currency risk *(continued)*

(b) The following are the exchange rates for Renminbi against foreign currencies applied by the Group:

Item	Average rate		Reporting date mid-spot rate	
	2011	2010	**2011**	2010
USD	**6.4584**	6.7695	**6.3009**	6.6227
EUR	**9.0003**	8.9725	**8.1625**	8.8065

(c) Sensitivity analysis

Assuming all other risk variables remained constant, a 10% strengthening of the Renminbi against the US dollar and Euro at 31 December would have increased the Group's equity and net profit by the amount shown below, whose effect is in Renminbi and translated using the spot rate at the year-end date:

Item	Equity	Net profit
	RMB'000	*RMB'000*
As at 31 December 2011		
USD	**162,475**	**162,475**
EUR	**14,416**	**14,416**
Total	**176,891**	**176,891**
As at 31 December 2010		
USD	168,332	168,332
EUR	15,975	15,975
Total	184,307	184,307

A 10% weakening of the Renminbi against the US dollar and Euro at 31 December would have had the equal but opposite effect on them to the amounts shown above, on the basis that all other variables remained constant.

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

(5) Fair values

(a) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value as at 31 December across the three levels of the fair value hierarchy. The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As at 31 December 2011	*Note*	Level 1	Level 2	Level 3	Total
Assets		***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Available-for-sale Financial assets	V. 8	**39,506**	**—**	**—**	**39,506**

As at 31 December 2010	*Note*	Level 1	Level 2	Level 3	Total
Assets		*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale Financial assets	V. 8	42,906	—	—	42,906

During the year ended 31 December 2011, there were no significant transfers between instruments in Level 1 and Level 2.

During the year ended 31 December 2011, there were no changes in valuation technique of fair value.

(b) Fair value of other financial instruments (carried at other than fair value)

All financial instruments are carried at amounts not materially different from their fair value as at 31 December 2011 and 2010 except as follows:

Item	2011		2010	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Debentures payable	**5,479,076**	**5,497,190**	5,462,886	5,459,253
Long-term loans	**3,196,285**	**3,169,398**	2,879,084	2,874,031
Total	**8,675,361**	**8,666,588**	8,341,970	8,333,284

IX. OTHER SIGNIFICANT ITEMS *(CONTINUED)*

2 Risk analysis, sensitivity analysis, and fair values for financial instruments *(continued)*

(6) Estimation and assumption of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial assets and items set out in Note IX 2(5) above that measured at fair value on the balance sheet date.

(a) Available-for-sale financial assets

Fair value is based on quoted market prices at the balance sheet date for available-for-sale financial assets if there is an active market.

(b) Receivables

The fair value is estimated as the present value of the future cash flows, discounted at the market interest rates at the balance sheet date.

(c) Loans, debentures payable and long-term payables

The fair value of loans, debentures payable and long-term payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

(d) Financial guarantees

The fair value of financial guarantees issued is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that the lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made.

(e) Interest rates used for determining fair value

The interest rates used to discount estimated cash flows are based on the market interest rate and the interbank debenture market maturity yield at the balance sheet date plus an adequate credit spread and are as follows:

Item	2011 Interest rate adopted	2010 Interest rate adopted
	(%)	(%)
Long-term receivables	**6.90**	5.76
Long-term loans (including due within one year)	**6.40-6.83**	5.27-5.76
Debentures payable	**2.92-4.02**	3.83-4.31

3 Assets at fair value

Item	Balance at the beginning of the year	Additions from acquisition	Increase for the year	Changes in fair value for the year	Decrease for the year	Balance at the end of the year
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Available-for-sale financial assets	42,906	—	—	(3,400)	—	**39,506**

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS

1 Trade receivables

(1) Trade receivables by customer type:

Item	2011	2010
	RMB'000	RMB'000
1. Trade receivables for sale of electricity	**841,545**	662,257
2. Trade receivables for sale of heat	**17,208**	5,338
Sub-total	**858,753**	667,595
Less: Provision for bad and doubtful debts	—	—
Total	**858,753**	667,595

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

Ageing	2011	2010
	RMB'000	RMB'000
Within one year (inclusive)	**858,753**	667,595

The ageing is counted starting from the date trade receivables is recognized.

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS *(CONTINUED)*

1 Trade receivables *(continued)*

(3) Accounts receivable by category

		2011				2010			
		Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
Category	*Note*	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
		RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Individually significant amounts	(4)	**858,515**	**99.97**	**—**	**—**	662,257	99.20	—	—
Other insignificant trade receivables	(4)	**238**	**0.03**	**—**	**—**	5,338	0.80	—	—
Total		**858,753**	**100.00**	**—**		667,595	100.00	—	

(4) The Company does not make provision for bad and doubtful debts on trade receivables.

(5) The Company does not actually write-off any trade receivables during the year.

(6) The analysis of significant trade receivables is as follows:

Name of enterprise	Relationship with the Company	Amount	Ageing	Percentage of total trade receivables
		RMB'000		*(%)*
1. SEPCO	Third party	841,545	Within one year	98.00
2. Zaozhuang Heat Corporation	Third party	16,970	Within one year	1.97
Total		858,515		99.97

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

(8) The Company does not derecognize of any accounts receivable due to transfer of financial assets during the year.

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

2 Other receivables

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

Ageing	2011	2010
	RMB'000	*RMB'000*
Within one year (inclusive)	853,501	2,127,738
Between one and two years (inclusive)	1,634,038	509,735
Between two and three years (inclusive)	508,665	13,170
Over three years	15,744	3,102
Sub-total	3,011,948	2,653,745
Less: Provision for bad and doubtful debts	2,524	2,709
Total	3,009,424	2,651,036

The ageing is counted starting from the date other receivables is recognized.

(Prepared under China Accounting Standards for Business Enterprises)
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XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS *(CONTINUED)*

2 Other receivables *(continued)*

(2) Other receivables by category

Category	2011				2010			
	Gross carrying amount		Provision for bad and doubtful debts		Gross carrying amount		Provision for bad and doubtful debts	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Individually significant amounts	**3,001,163**	**99.64**	**2,266**	**0.08**	2,583,279	97.34	2,266	0.09
Other insignificant other receivables	**10,785**	**0.36**	**258**	**2.39**	70,466	2.66	443	0.63
Total	**3,011,948**	**100.00**	**2,524**	**0.08**	2,653,745	100.00	2,709	0.10

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

(3) Reversal and recovery of provision for bad and doubtful debts during the year

Bad debts for which a provision was made before the current reporting year being recovered during the year are as follows:

Other receivables	Reason for original provision	Accumulated provision for bad and doubtful debts before recovery	Amount of recovery
		RMB'000	*RMB'000*
Technical service fee	Long ageing	208	186

(4) The Company does not actually write-off any other receivables during the year.

(5) The analysis of significant other receivables is as follows:

Other receivables	Relationship with the Company	Amount	Ageing	Percentage of total other receivables
		RMB'000		*(%)*
1. Amounts due from subsidiaries	Subsidiary	2,965,008	Within one year and between one and four year	98.44
2. Guarantee for acquisition	Third party	2,923	Within one year	0.10
Total		2,967,931		98.54

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

(7) Except amounts due from subsidiaries mentioned above in (5), there was no amount due from related parties of the Company in the closing balance of other receivables.

(8) The Company does not derecognize of any other receivables due to transfer of financial assets during the year.

(9) The Company does not securitize other receivables, and has no asset or liability recognized due to the continuing involvement of securitized accounts receivable.

3 Long-term receivables

Long-term receivables represent debts due from Shijiazhuang Heat Company, Yuhua Heat Company, Xijiao Heat Company, Yuxi Heat Company and Beicheng Heat Company to the Company.

4 Long-term equity investments

(1) Long-term equity investments by category:

Item	2011	2010
	RMB'000	*RMB'000*
Investments in subsidiaries	**24,732,209**	20,182,452
Investments in joint ventures	—	227,237
Investments in associates	**7,897,715**	7,048,064
Other long-term equity investments	**166,309**	160,309
Total	**32,796,233**	27,618,062

Notes to the Financial Statements (Continued)

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XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS *(CONTINUED)*

4 Long-term equity investments *(continued)*

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

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Closing balance	Shareholding percentage	Voting rights	Cash dividends for the year
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*(%)*	*(%)*	*RMB'000*
Cost method-subsidiaries							
Guang'an Company	1,267,577	1,267,577	—	1,267,577	80	80	—
Qingdao Company	345,668	345,668	—	345,668	55	55	—
Weifang Company	823,483	823,483	—	823,483	45	45	—
Zibo Thermal Power Company	374,800	374,800	—	374,800	100	100	—
Zhangqiu Company	617,077	617,077	—	617,077	87.5	87.5	—
Tengzhou Thermal Power Company	424,400	424,400	—	424,400	93.26	93.26	—
Xinxiang Company	372,100	372,100	—	372,100	90	90	—
Suzhou Company	829,267	829,267	—	829,267	97	97	—
Lingwu Company	1,332,655	1,332,655	—	1,332,655	65	65	120,370
Luding Hydropower Company	1,266,090	1,266,090	—	1,266,090	100	100	—
Wuhu Company	644,046	644,046	—	644,046	65	65	—
Zouxian Company	2,070,000	2,070,000	—	2,070,000	69	69	—
Luohe Company	475,300	475,300	—	475,300	75	75	—
Kailu Wind Power Company	797,128	797,128	—	797,128	100	100	—
Shijiazhuang Thermal Power Company	908,511	908,511	—	908,511	82	82	—
Banshan Company	386,724	386,724	—	386,724	64	64	—
Zagunao Hydroelectric Company	593,942	495,382	98,560	593,942	64	64	—
Maohua Company	1,547,000	1,547,000	—	1,547,000	100	100	—
Guyuan Wind Power Company	336,100	336,100	—	336,100	100	100	—
Huarui Group Company	966,895	966,895	—	966,895	100	100	—
Qudong Company	261,740	201,740	60,000	261,740	90	90	—
Cost method-subsidiaries Material Company	38,648	38,648	—	38,648	100	100	12,613
Suzhou Biomass Energy Company	43,680	43,680	—	43,680	78	78	—
Zoucheng Heat Company	56,000	56,000	—	56,000	70	70	—
Laizhou Wind Power Company	80,333	80,333	—	80,333	55	55	15,108
Kezuozhongqi Wind Power Company	80,000	60,000	20,000	80,000	100	100	—
Ningdong Wind Power Company	150,000	90,000	60,000	150,000	100	100	50,871
Lu'an Company	109,180	99,180	10,000	109,180	95	95	—
Century Power Company	2,120,369	2,120,369	—	2,120,369	84.31	84.31	84,750
Pingshi Power Company *(Note 2)*	684,706	684,706	—	684,706	100	100	—
Yueliangshan Wind Power Company	95,000	35,000	60,000	95,000	100	100	—
Luhua Thermal Power Company	337,475	283,475	54,000	337,475	90	90	—
Zhongning Company	142,800	—	227,237	227,237	50	50	—
Wenhui Company	283,315	—	283,315	283,315	51	51	—
Hualin Company	25,500	—	25,500	25,500	51	51	—
Shijiazhuang Heat Company	112,374	—	112,374	112,374	100	100	—
Haoyuan Company	691,777	—	691,777	691,777	85	85	—
Shunge Company	672,078	—	672,078	672,078	100	100	—
Huoxing Company	825,245	—	825,245	825,245	100	100	—
Xiexing Company	864,755	—	864,755	864,755	100	100	—
Other subsidiaries	594,034	109,118	484,916	594,034			—
Total	24,647,772	20,182,452	4,549,757	24,732,209			283,712

Note 1: For information on subsidiaries of The Company, see Note IV.1.

Note 2: According to the pledge contract signed between China Agriculture Bank Foshan Branch and the Company as at 18 May 2010, the Company pledged 75% of its investment in Pingshi Power Company for the payables assumed by the Company as bank loans guarantors.

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XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS *(CONTINUED)*

4 Long-term equity investments *(continued)*

(2) An analysis of the movements of long-term equity investments for the year is as follows: *(continued)*

Investee name	Investment costs	Opening balance	Movement of additions and deductions	Adjustments under equity method: Gains/(losses) in investment	Adjustments under equity method: Transfer of capital reserve	Cash dividends for the year	Closing balance
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Equity method-joint ventures							
Zhongning Company	142,800	227,237	(227,237)	—	—	—	—
Equity method-associates							
Ningxia Power Company	630,000	1,017,275	—	79,250	3,308	(44,641)	1,055,192
Huadian Property	290,000	281,341	—	1,106	(1)	—	282,446
Luzhou Company	344,000	93,851	—	(29,787)	—	—	64,064
Huadian Coal	516,900	600,270	—	637,533	—	—	1,237,803
China Huadian Finance	796,533	901,043	—	97,257	(5,046)	(25,878)	967,376
Changcheng Mine Company	452,612	486,181	—	63,090	—	(22,592)	526,679
Fucheng Mining Company	498,042	572,673	—	95,542	—	(62,218)	605,997
Ningdong Railway Company	300,000	318,375	—	27,171	—	—	345,546
Quanhui Trading	938,834	938,834	—	—	—	—	938,834
Baihui Trading	569,724	569,724	—	—	—	—	569,724
Zhengtai Trading	644,885	644,885	—	—	—	—	644,885
Yinxing Coal	600,000	600,000	—	—	—	—	600,000
Other associates	57,723	23,612	34,480	1,077	—	—	59,169
	6,639,253	7,048,064	34,480	972,239	(1,739)	(155,329)	7,897,715
	6,782,053	7,275,301	(192,757)	972,239	(1,739)	(155,329)	7,897,715

Investee name	Investment costs	Opening balance	Movement of additions and reductions	Closing balance	Shareholding percentage	Voting rights percentage	Cash dividends for the year
	RMB'000	RMB'000	RMB'000	RMB'000	(%)	(%)	RMB'000
Cost method-other long-term equity investments							
Luneng Heze Company	103,609	103,609	—	103,609	12.27	12.27	40,490
Jinzhongnan Coal Company	39,200	39,200	—	39,200	14	14	—
Daduhe Hydropower Company	23,500	17,500	6,000	23,500	5	5	—
Total	166,309	160,309	6,000	166,309			40,490

(3) For information on associates of the Company, see Note V. 10.

5 Operating income and Operating costs

(1) Operating income and Operating costs

Item	2011	2010
	RMB'000	RMB'000
Operating income from principal activities	**8,808,513**	8,437,969
Other operating income	**90,507**	68,134
Operating costs	**8,375,163**	8,158,323

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

Industry/product	2011 Operating income	2011 Operating costs	2010 Operating income	2010 Operating costs
	RMB'000	RMB'000	RMB'000	RMB'000
Sale of electricity	**8,652,472**	**8,168,743**	8,339,691	8,015,993
Sale of heat	**156,041**	**188,151**	98,278	120,811
Total	**8,808,513**	**8,356,894**	8,437,969	8,136,804

(3) Principal activities (by geographical area)

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

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS *(CONTINUED)*

5 Operating income and Operating costs *(continued)*

(4) Operating income from the top five customers

Incomes from the Company's top five customers are as follows:

Customer name	Operating income	Percentage of total operating income
	RMB'000	*(%)*
1. SEPCO	8,652,472	97.23
2. Zaozhuang Heat Corporation	81,318	0.91
3. Zoucheng Heat Company	59,414	0.67
4. Zouxian Company	44,383	0.50
5. AnHui Province Energy Group Co,.Ltd	15,000	0.17
Total	8,852,587	99.48

6 Investment income

(1) Investment income by item

Item	*Note*	**2011**	2010
		RMB'000	*RMB'000*
Income from long-term equity investments under cost method	(2)	**324,202**	135,198
Gain on dilution of an associate	V.43(5)	**528,476**	—
Income from long-term equity investments under equity method	(3)	**443,763**	254,766
Gain on disposal of long-term equity	V.10(2)	**102,400**	450,153
Total		**1,398,841**	840,117

(2) Investment income from long-term equity investments under cost method, which is more than 5% of total profits, is as follows:

Investee	**2011**	2010	Reason for movements for the year
	RMB'000	*RMB'000*	
Lingwu Company	**120,370**	70,159	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Material Company	**12,613**	14,944	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Ningdong Wind Power Company	**50,871**	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Laizhou Wind Power Company	**15,108**	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Century Power Company	**84,750**	—	Under cost method, investment income is recognised when dividend is declared by subsidiary.
Luneng Heze Company	**40,490**	—	Under cost method, investment income is recognised when dividend is declared by investee

XI. NOTES TO MAJOR ITEMS IN THE PARENT'S FINANCIAL STATEMENTS *(CONTINUED)*

6 Investment income *(continued)*

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

Investee	2011 *RMB'000*	2010 *RMB'000*	Reason for movements for the year
Huadian Coal	**110,031**	120,523	Profit or loss from normal operations
China Huadian Finance	**97,257**	31,989	Profit or loss from normal operations
Fucheng Company	**95,542**	74,631	Profit or loss from normal operations
Ningxia Power Company	**79,250**	116,508	Profit or loss from normal operations
Changcheng Company	**63,090**	33,569	Profit or loss from normal operations

7 Supplement to cash flow statement

Supplement	2011 *RMB'000*	2010 *RMB'000*
1. Reconciliation of net profit to cash flows from operating activities:		
Net profit	**139,563**	475,411
Add: Reversal of impairment losses	**(378)**	(1,780)
Depreciation of fixed assets	**859,870**	861,293
Amortisation of intangible assets	**12,723**	14,610
Income on disposal of fixed assets	**(314)**	(43,703)
Financial expense	**1,342,264**	810,271
Gains arising from investments	**(1,398,841)**	(840,117)
Fair value of debt assigned	**—**	(501,122)
(Decrease)/increase in deferred tax liabilities	**(459)**	7,250
Increase in gross inventories	**(104,661)**	(47,880)
Increase in operating receivables	**(192,386)**	(550,396)
Increase/(decrease) in operating payables	**108,774**	(114,295)
Net cash inflow from operating activities	**766,155**	69,542
2. Change in cash and cash equivalents:		
Cash at the end of the year	**421,704**	156,819
Less: Cash at the beginning of the year	**156,819**	193,186
Net increase/(decrease) in cash and cash equivalents	**264,885**	(36,367)

Supplements

1 DETAILS OF EXTRAORDINARY GAINS AND LOSSES AT 31 DECEMBER 2011.

Item	Amount
	RMB'000
Losses on disposal of non-current assets	**(393)**
Government grants recognised through profit or loss (excluding those having close relationships with the Company's operation and enjoyed in fixed amount or quantity according to uniform national standard) *(Note 1)*	**317,776**
Reversal of provision provided on receivables that were individually assessed for indication of impairment	**13,446**
Gain from step acquisition on the fair value remeasurement of previous owned equity	**13,011**
Gain on disposal of long-term equity investment	**102,400**
Gain on dilution of associates	**568,870**
Other non-operating income and expenses besides items mentioned above	**79,696**
Amount of effect on taxation	**(78,304)**
Amount of effect on minority shareholders after taxation	**(72,035)**
Total	**944,467**

Note 1: Government grants from VAT refund upon collection of wind and stalk power generation in the Group's non operating income were not included in the above extraordinary gains and losses, please refer to Note V. 45(2).

Above extraordinary gain and loss items are listed by amount before taxation.

2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS

The differences between the financial statements prepared under IFRS and PRC accounting standards (PRC GAAP) on consolidated net profit and consolidated net assets are as follows:

		Net profit		Net assets	
	Note	**2011**	2010	**2011**	2010
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amount under PRC GAAP		**144,723**	106,212	**23,646,150**	21,587,198
Adjustments under IFRSs:					
Business combination involving entities under common control	(1)	**(29,118)**	(42,146)	**709,089**	738,207
Government grants	(2)	**13,478**	11,838	**(412,567)**	(317,803)
Maintenance and Production Fund Adjustment	(3)	**3,845**	—	**—**	—
Taxation impact of the adjustments		**2,146**	9,981	**(142,635)**	(144,781)
Amount under IFRSs		**135,074**	85,885	**23,800,037**	21,862,821

2 DIFFERENCE IN ACCOUNTING DATA UNDER DOMESTIC AND OVERSEAS ACCOUNTING STANDARDS *(CONTINUED)*

Notes:

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

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

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

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

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

(3) 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.

3 RETURN ON NET ASSETS AND EARNINGS PER SHARE

In accordance with "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.9-Calculation and Disclosure of the Return on Net Assets and Earnings Per Share" (2010 revised) issued by the CSRC, the Group's return on net assets and earnings per share are calculated as follows:

	2011	
	Inclusive of extraordinary gains and losses	Net of extraordinary gains and losses
Weighted average return on net assets *(%)*	**0.49**	**(5.40)**
Consolidated net profit attributable to the Company's ordinary equity shareholders *(RMB'000)*	**79,193**	**(865,274)**
Weighted average net assets attributable to the Company's ordinary equity shareholders *(RMB'000)*	**16,026,077**	**16,026,077**
Fully diluted return on net assets *(%)*	**0.49**	**(5.37)**
Consolidated net profit attributable to the Company's ordinary equity shareholders *(RMB'000)*	**79,193**	**(865,274)**
Weighted average net assets attributable to the Company's ordinary equity shareholders *(RMB'000)*	**16,104,295**	**16,104,295**
Basic earnings per share *(RMB)*	**0.012**	**(0.128)**
Consolidated net profit attributable to the Company's ordinary equity shareholders *(RMB'000)*	**79,193**	**(865,274)**
Weighted average number of ordinary shares *('000 shares)*	**6,771,084**	**6,771,084**

There were no dilutive potential ordinary shares in existence during the presented year, thus diluted earnings per share was equal to basic earnings per share.

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