華能新能源股份有限公司

Huaneng Renewables Corporation Limited *

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0958)

2011 Annual Report

* For identification purpose only

Contents

Huaneng Renewables Corporation Limited
Annual Report 2011

Chairman's Statement

Chairman

Mr. CAO Peixi

Dear Shareholders,

2011 marked a milestone year in the development history of the Company. As a result of care and support from people from all walks of life, the Company was able to overcome difficulties, and was successfully listed on the Main Board of the Hong Kong Stock Exchange on 10 June 2011. It is evidenced that the Company is highly recognized by the renewable energy sector and capital markets for its excellence and quality as well as its recent rapid, quality and efficient development. In recent years, the Company has witnessed continuous expansion of installed capacities, on-going optimization of strategic deployment, effective reforms and innovation, stable growth in profits, and strengthening in its core competence. After the initial public offering, the Company further strengthened its position as a leading player in the industry.

Looking back at 2011, the Company sustained a fast growth in the installed capacity and maintained the leading position in the industry. The level of production and operation constantly escalated, further enhancing our competitive strength. The Company's profit-oriented growth areas have developed rapidly, further reflecting the strength of its strategic deployment. The Company maintained stable growth in profitability and its financial results have achieved new records. Various in-depth studies on the wind power projects were conducted, thus maintaining the Company's leading position in technology. The Company honored its commitment on power conservation and emission reduction, achieved annual green electricity generation of 6,844.4 GWh, which is equivalent to carbon emission reduction of approximately 6.18 million tons or standard coal conservation of approximately 2.30 million tons. During the year, the Company successfully registered 26 CDM projects with the CDM EB.

Looking forward to 2012, the world remains enthusiastic about the industry of renewable energy despite a sluggish economy shaken by the financial crisis. Currently, China has a relatively low penetration rate of wind power, but remains the fastest growing market for wind power around the globe. The development of renewable energy, primarily wind power, is not merely a response to the increasingly serious climatic problems, but also part of the critical strategy to safeguard the national energy safety and realize sustainable development.

In light of opportunities and challenges, the Company will maintain its good development momentum. The Company will continously develop onshore wind power, prudently penetrate into offshore wind power and photovoltaic power generation, and proactively explore wave power generation and other renewable energies. The Company will fully strengthen operational management of wind power, and vigorously promote innovation in systems, procedures, management and technology, and further broaden the sources of funding and talents. In addition to maintaining its leading position in the PRC, the Company will proactively develop international markets for the purpose of building a leading renewable energy company in the world.

Finally, I sincerely express my gratitude towards the confidence and support from each shareholder and friends from the social community. We will firmly uphold our commitment on generating green electricity and clean energies, and persevere in the low-carbon, green, and sustainable path of economic development. Relying on the fastest growing market for wind power around the globe, the Company will explore more opportunities, sharpen its competitive edges, release its great potential, demonstrate its potential values, generate substantial returns for the investors and make a greater contribution to both China's and the world's environmental sustainability.

CAO Peixi
Chairman

the PRC, Beijing

President’s Statement

President

Mr. LIN Gang

Dear Shareholders,

2011 unfolded the first year of the “Twelfth Five-Year Plan” in China. As the sole renewable energy platform for the ultimate consolidation of Huaneng Group’s renewable energy businesses such as wind power, the Company encountered rigorous challenges from both economic situation and business environment. However, the Company adhered to scientific development and rational deployment, improved quality of development as well as corporate returns, and further strengthened operation management, thus further enhancing its comprehensive strength.

As a result of care and support from people from all walks of life, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange on 10 June 2011. The aftermarket performance received broad recognition from the capital market, and the Company became the largest Chinese enterprise purely focused on wind power business in the Hong Kong capital market in terms of capitalization. Evidently, this represented a milestone in the development of the Company as well as a new breakthrough in the capital operation of the Company. It also expanded the Company’s financing channel and promoted the Company’s international presence.

The Company constantly improves its production and operation. The consolidated power generation of wind power projects for the year amounted to 6,844.4 GWh, representing a growth of 80.6% as compared with the year of 2010. During the year, the Company installed 27 new projects with an aggregate installed capacity of 1,381.5 MW. By the end of 2011, the Company had a consolidated installed wind power capacity of 4,903.9 MW, representing a growth of 39.2% as compared with the end of 2010. The newly signed agreements on development of wind power resources in 2011 had an aggregate capacity of approximately 11 GW, resulting in the Company’s more than 83 GW of wind power projects reserved for future development. Thus, the Company has laid a solid foundation for its future development.

Meanwhile, the Company's financial results reached a new level. The revenue for the year amounted to RMB3,195.9 million, representing a growth of 80.7% as compared with the year of 2010. The profit for the year amounted to RMB1,106.8 million, representing a growth of 81.6% as compared with the year of 2010. The profit attributable to the shareholders of the Company amounted to RMB1,023.0 million, representing a growth of 93.7% as compared with the year of 2010.

In 2011, the Company's comprehensive strength continued to grow. As to strategic deployment, the Company focused more on the development of areas with high returns. Of the newly installed capacities, there was a significant increase in the percentage of such projects located in areas with high power tariff, quality wind resources, and less grid connection and transmission congestions, thus effectively reducing problems arising from power transmission limitations. As to technological innovation, the Company undertook the national "863" scientific and technological projects on offshore wind power and mountain wind power, enabling its innovative competence to further improve. As to offshore wind power, the Company has completed most of the preliminary work for the Huaneng Jiangsu Dafeng (300 MW) Offshore Wind Power Demonstration Project, which is substantively ready for applying for the approvals of relevant governmental agencies, thus representing a significant progress in the development of offshore wind power projects. In addition, the Company's comprehensive strength was recognized by the industry, evidenced by China Electricity Council's award of "Excellent Enterprise in the Electricity Industry for 2011".

In 2012, the Company will closely follow the pace of the industry development and focus on scientific deployment, management enhancement, innovative reforms and efficiency improvement. The Company will strive for the following objectives while maintaining a stable development:

1. Strengthen safety production management to maintain efficient, safe and stable production and operation

2. Take further efforts for resource development to lay a solid foundation for the completion of annual plan and the "Twelfth Five-year" plan

3. Emphasize both development and acquisition to ensure stable expansion of the operation scale

4. Advocate technical innovation to strengthen viability and competitiveness of the Company

5. Strengthen management and make efforts to improve management and operation

6. Cultivate corporate culture and talents to advance the healthy and fast development of the Group

Finally, I hereby express my gratitude towards the support and confidence in the Company from all shareholders and investors, and towards the hard work and selfless dedication committed by all of the Company's employees. In the coming year, we will work closely together to achieve even better results and continue to strive to build the Company into a leading renewable energy company in the world.

LIN Gang
President

the PRC, Beijing

Corporate Profile

• Corporate Introduction

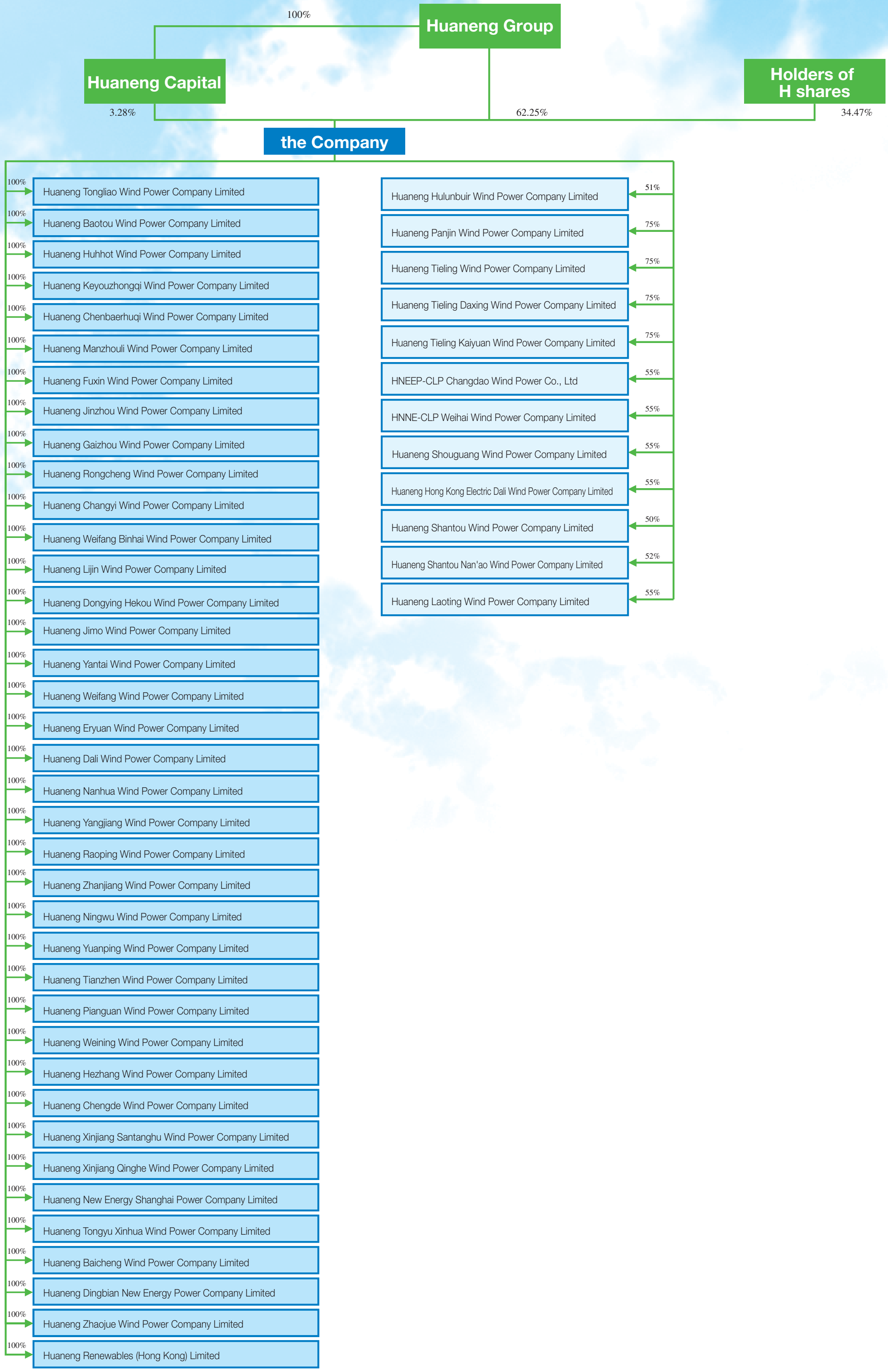
The Company is a leading pure-play renewable energy company in the People's Republic of China (the "PRC") with a primary focus on wind power generation. Since its incorporation, the Company has been a pioneer and innovator in the fast-growing PRC wind power sector. It ranked third in China and eighth in the world in terms of total wind installed capacity as of 31 December 2010.

The Company was incorporated on 5 August 2010 in the PRC as a joint stock limited company through restructuring of its predecessor Huaneng New Energy Industrial Co., Ltd. ("HNEIC"). HNEIC was established by China Huaneng Group ("Huaneng Group") on 11 November 2002 as a wholly-owned subsidiary, with a view to develop and operate renewable energy projects in the PRC. On 10 June 2011, the Company was successfully listed on the Main Board of the Hong Kong Stock Exchange with the stock code 0958. Currently, the total number of issued shares of the Company was 8,446,898,000, 65.53% of which is directly and indirectly held by Huaneng Group as the controlling shareholder of the Company.

As of 31 December 2011, the consolidated installed capacity of the Company and its subsidiaries (the "Group" or "we") was 4,903.9 MW. The Group also had 1,140.0 MW capacity under construction and approximately 83,134.0 MW of wind power pipeline projects reserved for future development.

In 2011, the Company carefully analyzed the challenges of the wind power market, provided sufficient consideration on transmission limitations, maximized returns of investments, and shifted the focus of wind power project deployment from traditional wind power generation provinces to those with quality wind resources and high power tariffs, and where the power grid accesses are not restricted. Meanwhile, the Company enhanced its budget analysis and control over operations and management, tightened its budget control and implemented variance analysis, and lowered various costs and expenses. In accordance with the goals of "world-class management, world-class talents, world-class assets, world-class efficiency and world-class wind power enterprise", the Company implemented regulated and standardized management, completed the construction of an array of high-quality projects in 2011, strengthened its expertise in wind farm construction and operations and maintained overall stable safety production.

• Corporate Structure



- ## Distribution of Installed Projects

The following map sets forth the location of the Group's consolidated installed wind power projects as of 31 December 2011[(1)]:

Xinjiang

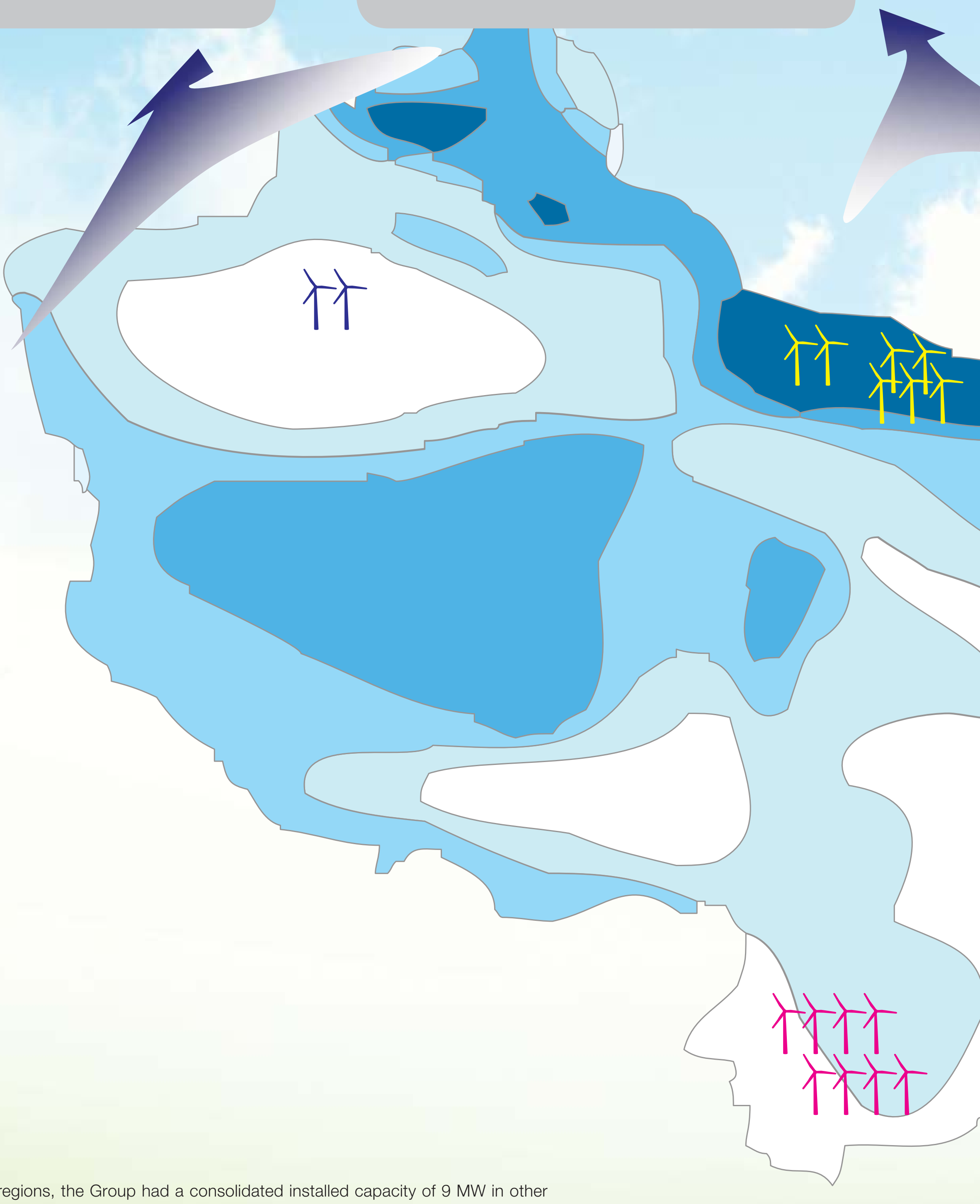
(2.0% of the consolidated installed capacity of the Group)

■Installed capacity : 99.0 MW

West Inner Mongolia

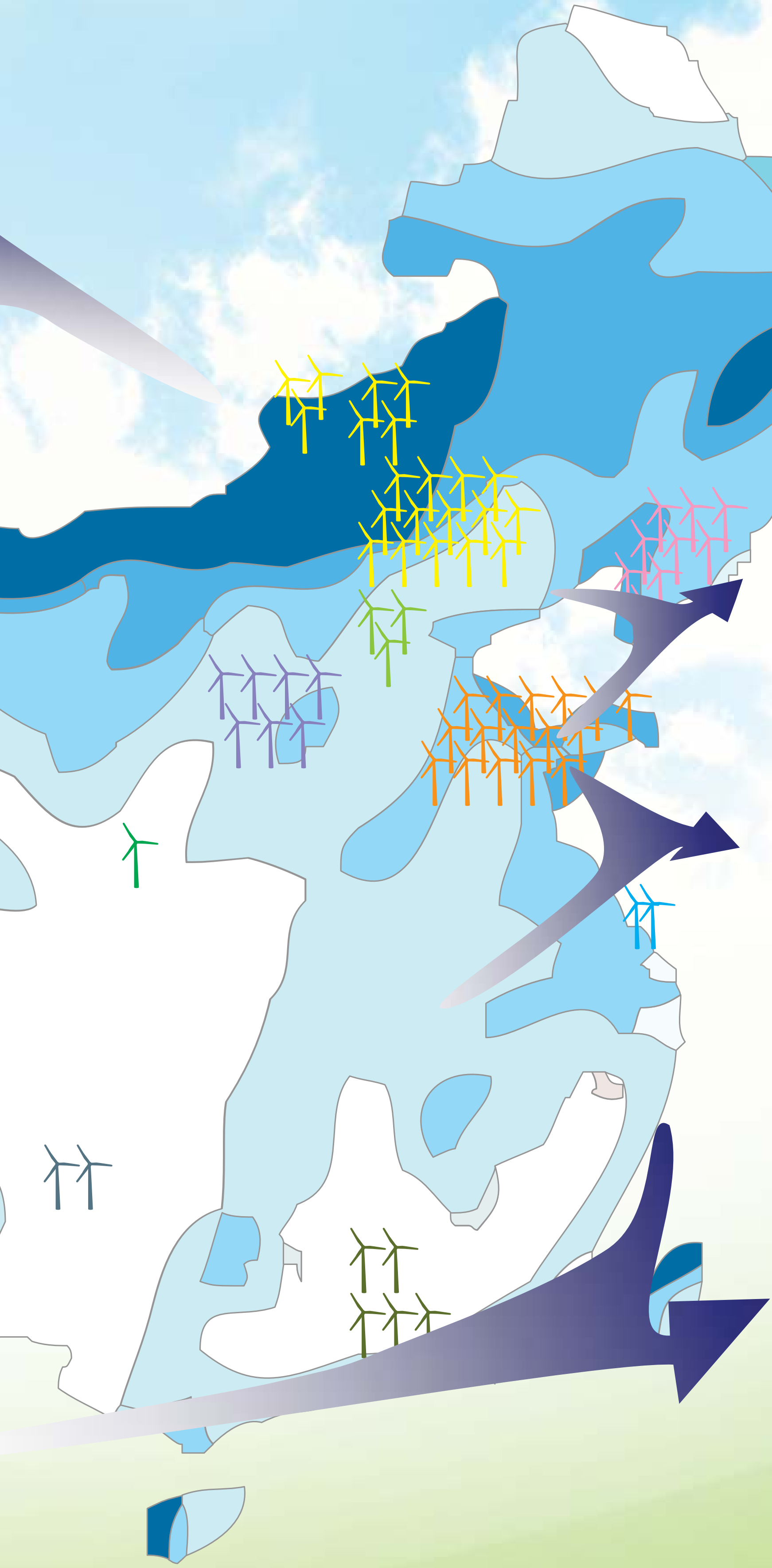
(7.1% of the consolidated installed capacity of the Group)

■Installed capacity : 346.5 MW



Note:

(1) In addition to the six regions, the Group had a consolidated installed capacity of 9 MW in other regions.



Northeast China Region

(50.3% of the consolidated installed capacity of the Group)

Installed capacity: 2,467.7 MW

North China Region

(12.1% of the consolidated installed capacity of the Group)

Installed capacity: 595.5 MW

East China Region

(15.4% of the consolidated installed capacity of the Group)

Installed capacity: 754.7 MW

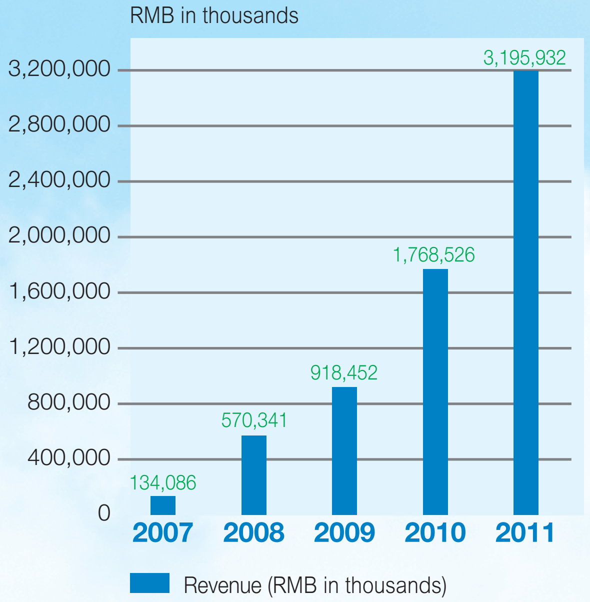
South China Region

(12.9% of the consolidated installed capacity of the Group)

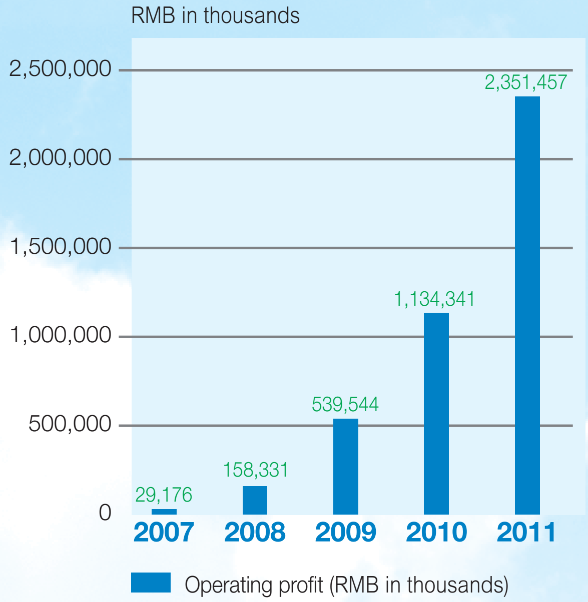
Installed capacity: 631.6 MW

Financial and Operational Summary

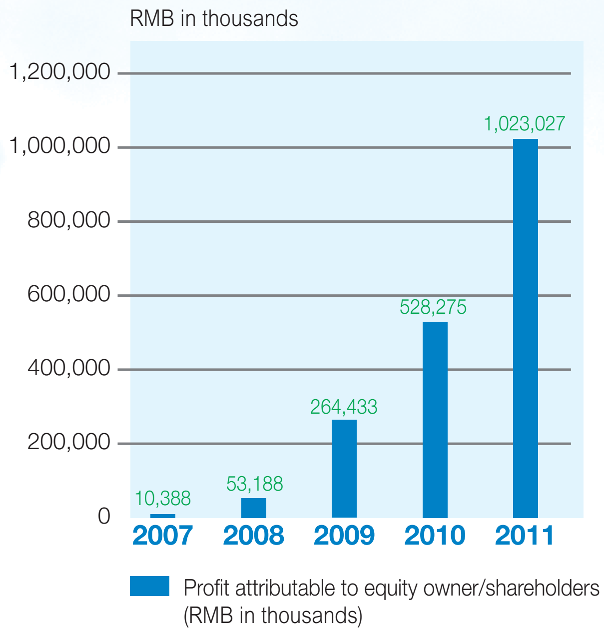
Revenue



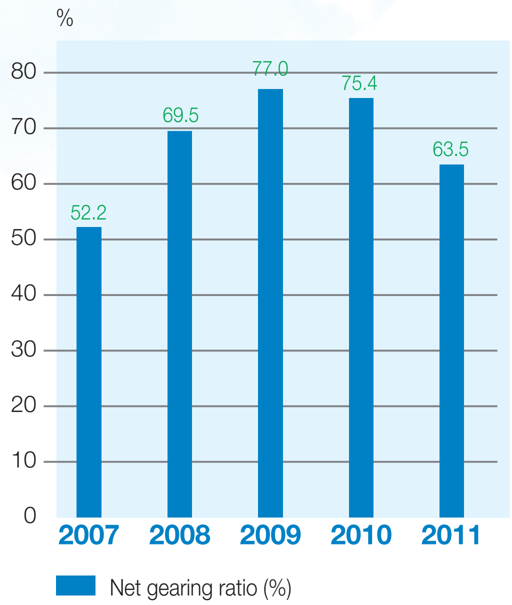
Operating profit



Profit attributable to equity owner/shareholders



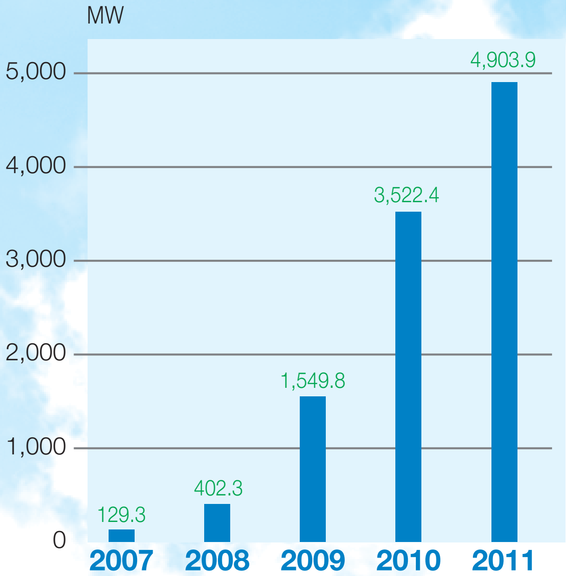
Net gearing ratio[(1)]



Note:

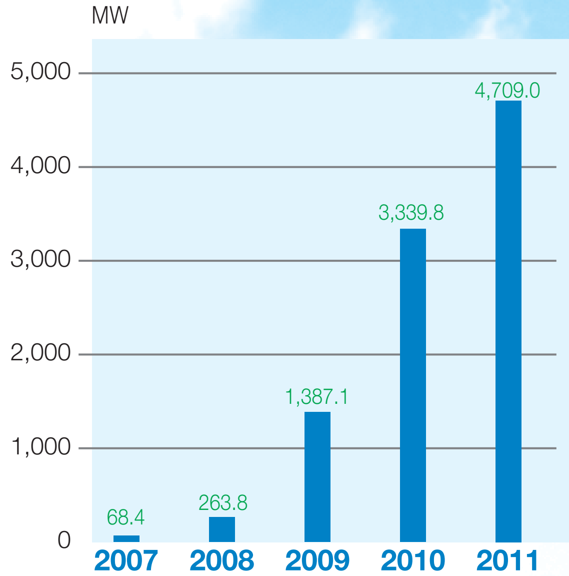
(1) The net gearing ratio is calculated by dividing the net debt (total borrowings and obligations under finance leases minus cash and cash equivalents) by the net debt plus total equity.

Consolidated installed capacity



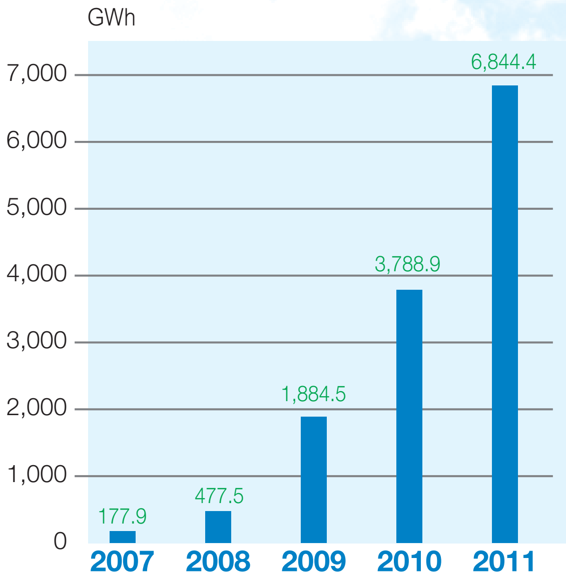
Consolidated installed capacity (MW)

Attributable installed capacity



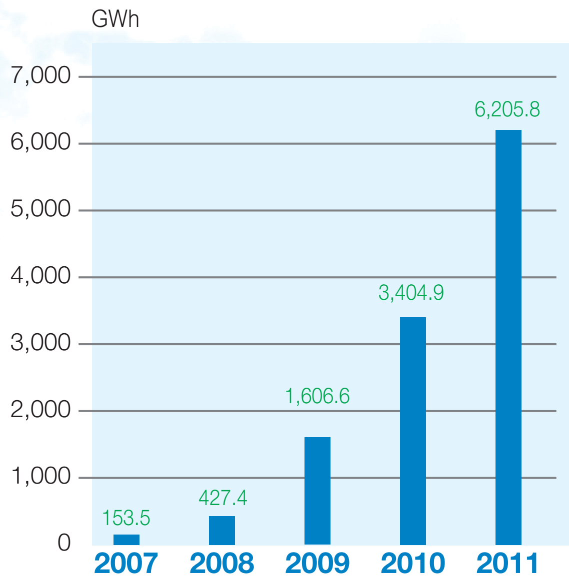
Attributable installed capacity (MW)

Consolidated gross power generation



Consolidated gross power generation (GWh)

Consolidated net power generation



Consolidated net power generation (GWh)

5 years summary of consolidated statements of comprehensive income

	2007	2008	2009	2010	**2011**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Revenue	134,086	570,341	918,452	1,768,526	**3,195,932**
Other net income	8,110	35,613	85,317	249,832	**682,522**
Operating expenses	(113,020)	(447,623)	(464,225)	(884,017)	**(1,526,997)**
Operating profit	29,176	158,331	539,544	1,134,341	**2,351,457**
Profit for the year	31,461	107,035	320,647	609,416	**1,106,821**
Profit attributable to:					
Equity owner/Shareholders of the Company	10,388	53,188	264,433	528,275	**1,023,027**
Non-controlling interests	21,073	53,847	56,214	81,141	**83,794**
Basic and diluted earnings per share (RMB cents)	0.18	0.91	4.56	9.11	**14.06**

5 years summary of consolidated balance sheets

	At 31 December				
	2007	2008	2009	2010	**2011**
	RMB'000	RMB'000	RMB'000	RMB'000	**RMB'000**
Total non-current assets	2,580,600	9,012,091	15,950,977	30,965,653	**41,356,375**
Total current assets	681,191	1,912,068	1,829,697	2,478,973	**10,174,321**
Total assets	3,261,791	10,924,159	17,780,674	33,444,626	**51,530,696**
Total current liabilities	333,046	3,974,224	5,011,911	11,311,273	**15,898,777**
Total non-current liabilities	1,749,619	4,670,247	9,472,251	16,014,534	**23,472,478**
Total liabilities	2,082,665	8,644,471	14,484,162	27,325,807	**39,371,255**
NET ASSETS	1,179,126	2,279,688	3,296,512	6,118,819	**12,159,441**
Total equity attributable to the equity owner/shareholders of the Company	841,127	1,674,315	2,583,215	5,283,886	**11,331,519**
Non-controlling interests	337,999	605,373	713,297	834,933	**827,922**
TOTAL EQUITY	1,179,126	2,279,688	3,296,512	6,118,819	**12,159,441**

Management Discussion and Analysis

I Overview

1. Rapid growth in installed capacity and rational adjustment in strategic deployment

In 2011, the Group carefully analyzed the challenges of the wind power market, provided sufficient consideration on transmission limitation, maximized returns of investments, and shifted the focus of wind farm deployment from traditional wind power generation provinces to those with quality wind resources and high on-grid tariffs, and where the power grid accesses are not restricted. In 2011, the Group installed 27 new wind power projects with an aggregate installed capacity of 1,381.5 MW. As of the end of 2011, the Group had 4,903.9 MW of consolidated installed capacity of wind power, representing an increase of 39.2% as compared with the end of 2010.

The Group's consolidated installed capacity of wind power by region as of 31 December 2010 and 2011 are set out as follows:

	Consolidated installed capacity (MW)		
	31 December 2010	31 December 2011	Rate of Change
Northeast China Region	2,070.2	**2,467.7**	19.2%
East China Region	597.2	**754.7**	26.4%
South China Region	261.1	**631.6**	141.9%
North China Region	198.0	**595.5**	200.8%
West Inner Mongolia	297.0	**346.5**	16.7%
Xinjiang	99.0	**99.0**	—
Other Regions	0.0	**9.0**	—
Total	3,522.4	**4,903.9**	39.2%

2. Stable growth in power generation

In 2011, the consolidated gross power generation of wind power of the Group increased to 6,844.4 GWh by 80.6% as compared with 2010. The substantial increase of power generation was primarily attributable to the significant growth in installed capacity as well as constant improvement in management of production and operation.

The consolidated gross power generation of the Group's wind farms by region in 2010 and 2011 is set out as follows:

	Consolidated gross power generation (MWh)		
	2010	2011	Rate of change
Northeast China Region	2,154,445.9	**3,663,805.4**	70.1%
East China Region	761,344.4	**1,210,119.3**	58.9%
South China Region	310,957.2	**726,445.6**	133.6%
North China Region	93,859.6	**303,764.8**	223.6%
West Inner Mongolia	367,803.8	**607,911.2**	65.3%
Xinjiang	100,464.5	**332,338.7**	230.8%
Other Regions	0.0	**0.0**	—
Total	3,788,875.4	**6,844,385.0**	80.6%

The weighted average utilization hours of the Group's wind farms for the full year in 2011 was 1,962 hours, representing a decrease of 13.4% from 2010, which was mainly due to generally low wind speed in 2011 and intensified transmission limitations in some regions.

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

	Weighted average utilization hours (h)		
	2010	2011	Rate of change
Northeast China Region	2,220	**1,790**	-19.4%
East China Region	2,299	**2,011**	-12.5%
South China Region	2,451	**2,571**	4.9%
North China Region	1,891	**1,632**	-13.7%
West Inner Mongolia	2,434	**2,117**	-13.0%
Xinjiang	2,443	**3,357**	37.4%
Other Regions	—	**—**	—
Total	2,265	**1,962**	-13.4%

3. Improvement in cost control and efficiency management

Against the tightened capital environment in 2011, the Group secured the supply of its working capital through diversified funding. Average cost of financing in 2011 was lower than benchmark interest rate in the same period. In 2011, the Group enhanced its budget analysis and control over operations and management, tightened its budget control and implemented variance analysis, and lowered various costs and expenses. In 2011, the total operating expenses growth rate was lower than the average capacity growth.

4. Weighted average on-grid tariff remained substantially stable

In 2011, the weighted average on-grid tariff was RMB0.596/kWh (including VAT), representing a decrease of 1.4% as compared with 2010. The weighted average on-grid tariff remained substantially stable.

5. Further advancement in the preliminary development of projects

During 2011, the Group continued to acquire wind resources. By the end of 2011, the Group had a portfolio of wind power pipeline projects with a capacity of 83,134.0 MW, amongst which agreements newly signed in 2011 on development of wind power reached a total capacity of 10,990.0 MW. In 2011, 32 projects with a capacity of 1,653.0 MW were newly approved by relevant authorities. All these laid foundation for the Company's future development.

6. Strengthened expertise in infrastructure construction management

The Group adopts the objective to create "the world-class wind farms" as well as the instrument to create innovative processes for the purpose of strengthening the whole-processed and all-dimensioned management of infrastructure construction. The Group focuses on the idea of "world-class design", implements formulated design solutions, equipment selection standards and administration measures compliant to onsite work by constantly summarizing the merits derived from various design solutions, and strives to establish model projects based on topography and geology of different wind power projects. In accordance with the goals of "world-class management, world-class talents, world-class assets, world-class efficiency and world-class wind power enterprise", the Group implemented regulated and standardized management, completed the construction of an array of high-quality projects in 2011, strengthened the expertise in wind farm construction and operations and maintained overall stable safety production.

7. Enhancement in safety production and operation management

During 2011, the Group's safety production generally remained stable without any major accident resulting in casualties, or any material accident caused by equipment, traffic, or environmental pollution. As to projects experiencing transmission limitation, the management actively carried out various electricity preservation measures and marketing campaign to minimize the impact therefrom. The Group launched specific technical modifications to grid-connection ability of wind power projects and solved problems usually occurred in the operation of wind turbines, thus effectively enhanced the safety and reliability of the grid-connection operation of wind power projects as well as the availability factor of wind turbines.

8. New Results of the management and development of CDM projects

In 2011, the Group reached new results in its management and development of CDM projects. By the end of 2011, 93 projects were approved by the National Development and Reform Commission of the PRC ("NDRC"), 47 of which were newly approved during the year; 51 projects were successfully registered with the CDM EB under the United Nations (the "UN"), 26 of which were newly registered during the year. The accumulative CERs of 1,881,950 tons were issued to the Group, 1,225,054 tons of which were issued during the year.

9. Significant progress in the development of offshore wind power

In 2011, the Group has completed most of the preliminary work for Huaneng Jiangsu Dafeng (300MW) Offshore Wind Power Demonstration Project, which is substantively ready for applying for approvals from NDRC, thus representing a significant progress in the development of offshore wind power projects.

10. Breakthrough in the development of distributed wind farms

In 2011, the Group successfully developed the first distributed wind farm, Huaneng Shannxi Dingbian Langergou Distributed Demonstration Wind Power Project, in the PRC, by which the Company has developed a set of technology, construction and operation scheme for the development of distributed wind farms, accumulating significant experience in future development of distributed wind farms.

II RESULTS OF OPERATIONS AND ANALYSIS

Overview

In 2011, the Group's profit for the year maintained stable growth and amounted to RMB1,106.8 million, representing an increase of RMB497.4 million or 81.6% as compared with RMB609.4 million for 2010. Profit attributable to shareholders of the Company amounted to RMB1,023.0 million, representing an increase of 93.7% as compared with RMB528.3 million for 2010.

1. Operating Results

- *Revenue*

  In 2011, the revenue of the Group amounted to RMB3,195.9 million, representing an increase of 80.7% as compared with RMB1,768.5 million for 2010. The increase in the revenue was mainly attributable to increased net power generation as a result of the increased wind power operational capacity. The revenue of RMB3,160.1 million derived from sale of electricity increased by RMB1,401.5 million or 79.7% as compared with RMB1,758.6 million for 2010.

- *Other net income*

  The other net income of the Group amounted to RMB682.5 million in 2011, representing an increase of RMB432.7 million or 173.2% as compared with RMB249.8 million for 2010. The increase was primarily due to the substantial increase of CERs income from CDM projects.

- *Operating expenses*

  Operating expenses of the Group amounted to RMB1,527.0 million in 2011, representing an increase of 72.7% as compared with RMB884.0 million for 2010. The increase was primarily due to the increase in depreciation and amortization expenses as a result of the expansion in operational capacity.

  Depreciation and amortization: Depreciation and amortization expenses of the Group amounted to RMB1,169.3 million in 2011, representing an increase of RMB535.6 million or 84.5% as compared with RMB633.7 million for 2010. The increase was due to the expansion of operational capacity of the Group's wind power projects.

  Personnel costs: Personnel costs of the Group amounted to RMB118.0 million in 2011, representing an increase of RMB38.8 million or 48.9% as compared with RMB79.2 million for 2010. The increase was primarily due to the increase in headcount as a result of expansion of operations as well as more personnel costs recognized in profit or loss as a result of commencement of operation of more wind power projects.

  Administrative expenses and other operating expenses: The administrative expenses of the Group amounted to RMB117.8 million in 2011, representing an increase of RMB21.8 million or 22.6% as compared with RMB96.0 million for 2010. Other operating expenses were RMB92.1 million in 2011, representing an increase of RMB44.8 million or 94.6% from RMB47.3 million in 2010. Such increase was primarily due to the increased costs incurred from insurance premiums for properties and taxes as a result of commencement of operation of more projects, as well as increase in rental arising from expansion of the offices of the Group. Along with the increase in the size of the subsidiaries of the Company, travel and office expenses increased as well.

- *Operating profit*

  Operating profit of the Group amounted to RMB2,351.5 million in 2011, representing an increase of RMB1,217.2 million or 107.3% as compared with RMB1,134.3 million for 2010.

- *Net finance expenses*

  Net finance expenses of the Group amounted to RMB1,212.4 million in 2011, representing an increase of RMB719.5 million or 145.9% as compared with RMB492.9 million for 2010. The increase was primarily due to increase in (i) finance expenses incurred from projects that ceased capitalization of interest as a result of commencement of operation; (ii) finance expenses incurred from increases in borrowing rate; and (iii) foreign exchange losses of RMB145.0 million due to delay in settlement of the exchange of cash raised from initial public offering.

- *Income tax*

  The income tax of the Group amounted to RMB32.3 million in 2011, which is in line with the amount incurred during 2010. The effective tax rate of the Group reduced to 2.8% for 2011 from 5.0% for 2010, as most of the Group's newly installed projects enjoyed income tax exemptions for a period of three years.

- *Profit for the year*

  Due to the foregoing reasons, the profit for the year of the Group amounted to RMB1,106.8 million in 2011, representing an increase of 81.6% as compared with RMB609.4 million for 2010.

- *Profit attributable to shareholders of the Company*

  The profit attributable to shareholders of the Company amounted to RMB1,023.0 million in 2011, representing an increase of 93.7% as compared with RMB528.3 million for 2010. The increase was mainly due to the increase in profits of wind power projects wholly owned or controlled by the Company. However, this amount is slightly lower than the amount of RMB1,070.1 million as disclosed in the section "Financial Information – Profit Forecast For the Year Ending 31 December 2011" of the Company's Prospectus dated 30 May 2011, which was primarily due to a foreign exchange loss of RMB145.0 million resulted from delay in settlement of the exchange of cash raised from initial public offering. For detailed information, please refer to the announcement of the Company dated 23 February 2012.

2. Liquidity and capital resources

As of 31 December 2011, the Group's current assets amounted to RMB10,174.3 million, including cash at bank and on hand and restricted deposits of RMB7,577.5 million as well as trade debtors and bills receivable of RMB2,010.5 million, which included trade debtors and bills receivable in respect of sales of electricity of RMB1,900.3 million and CDM receivables of RMB97.5 million. Prepayments and other current assets of RMB584.3 million were primarily attributable to incomes derived from CDM receivables. The current liabilities of RMB15,898.8 million mainly included (i) other payables of RMB8,838.9 million

which were primarily consisted of payables for equipment purchase from suppliers, construction, and retention deposit and special dividends payable to Huaneng Group of RMB316.2 million (ii) short-term loans of RMB6,758.8 million. As of 31 December 2011, the current ratio (the ratio of total current assets to total current liabilities) of the Company was 0.64, representing an increase of 0.42 as compared with 0.22 as of December 31, 2010. Such increase in the current ratio was primarily due to the increase in cash at bank and on hand resulted from the initial public offering.

As of 31 December 2011, the Group's outstanding borrowings amounted to RMB26,015.9 million, which comprised short-term borrowings (including long-term borrowings due within one year) of RMB6,758.8 million and long-term borrowings of RMB19,257.1 million, representing an increase of RMB7,997.0 million as compared with the amount as of 31 December 2010. Such borrowings were mainly denominated in Renminbi.

3. Capital expenditure

The capital expenditure of the Group amounted to approximately RMB11.9 billion in 2011, representing a decrease of RMB2.2 billion or 15.6% as compared with approximately RMB14.1 billion for 2010. The expenses incurred from construction of wind power projects were approximately RMB11.6 billion, and other capital expenses amounted to approximately RMB300 million. The capital expenditure was mainly funded by internal resources, bank borrowings, and other financing funds.

4. Net gearing ratio

As of 31 December 2011, the net gearing ratio of the Group, which is calculated by dividing the net debt (total borrowings and obligations under finance leases minus cash and cash equivalents) by the net debt plus total equity, was 63.5%, representing a decrease of 11.9 percentage points as compared with 75.4% as of 31 December 2010. The decrease was primarily due to the receipt of proceeds from the initial public offering.

5. Material investment

In 2011, the Group subscribed for shares offered by Guodian Technology & Environment Group Corporation Limited (HK stock code: 01296) in its public offering at an offer price of HK$2.16 per share with a total investment of approximately HK$236 million, equivalent of RMB191 million, measured at fair value. Such subscription is recorded as available-for-sale financial assets.

6. Material acquisition and disposal

The Group did not have any material acquisition and disposal in 2011.

7. Pledge of assets

The Group did not pledge any assets in 2011.

8. Contingent liabilities

The Group had no material contingent liabilities as of 31 December 2011.

III RISK FACTORS AND RISK MANAGEMENT

1. Climatic risks

The power generation of wind power projects depends on local climate conditions, particularly wind conditions. Wind resources are subject to the influences of general climate changes, seasonal changes and geographical locations. Hence, the power generation of wind power projects may not meet expectations, which may affect the Group's financial position and operating results. Additionally, extreme weather or uncertain climatic factors may hinder the construction of wind power projects. In view of the impact of such climatic uncertainties on wind power generation, the Group has designated a professional wind resource assessment team capitalising on advanced wind resource assessment technology to improve the projection of wind resources. Moreover, the Group has in place a professional team specialised in the maintenance and overhaul of wind turbines to ensure sufficient availability factor of wind turbines which will in turn secure power generation. To address the negative influence of climate conditions on the construction progress of projects, the Group has drawn upon its extensive experience in wind power project construction and schedule management. Through stringent control of project construction schedules, the Group expects timely completion within a prescribed period of time so as to achieve targets set for the project concerned.

2. Risks relating to CDM project development

Since the process to register CDM projects with the CDM EB is relatively complicated, and risks of changes in the criteria or policies for certification do exist, the timing and outcome of the registration applications are uncertain. In case of failure in registration or any material policy changes in the course of project development, the Group's revenue from CDM would be affected. Leveraging on the edges brought along by its professional project development team, the Group have kept a close track of the process of project construction and production. The Group also strengthened management on the development process of CDM projects and exercised stringent control on the quality of project application materials. In a bid to maximise revenue from CDM, the Group tracked and analysed market and policy dynamics in a real-time environment and fostered intense communication and collaboration with relevant institutions.

3. Foreign exchange rate risk

The business of the Group is mainly centered in mainland China where the majority of its revenue as well as expenses are denominated in Renminbi except for sales of CERs denominated in Euros. The Group has a portion of foreign borrowings and deposits (denominated in Hong Kong dollars, U.S. dollars and Euros), and the foreign deposits mainly comprise the proceeds received from the Company's initial public offering). Therefore, fluctuations in the Renminbi exchange rate will result in foreign exchange losses or gains in those transactions denominated in foreign currencies of the Group. To strengthen the management over exchange rate risks, the Group closely monitored and analysed the fluctuations in the foreign exchange rate and adopted various management approaches to cope with such risks.

4. Interest rate risk

Any changes in interest rate would affect the Group's financing costs. With sound credibility, the Group has acquired sufficient credit facilities from banks to ensure a stable and uninterrupted capital chain. Additionally, the Group has further reduced its financing costs by utilising low-cost funds. It has also kept abreast of changes in the economic environment, predicted the trend of bank interest rates and reinforced the management on the debt portfolio to adjust its debt structure in a timely manner.

IV BUSINESS OUTLOOK FOR 2012

Given the prevailing low penetration rate of wind power in China as well as the general matching between wind power planning of the government and the infrastructure development plan by the grid companies, we believe that the development of wind power industry in China will maintain a stable momentum in the coming years.

In 2012, the Group will closely follow the pace of the industry development. Based on its own prevailing conditions, the Group will continue the sustainable development with a focus on profit. The Group will put more efforts on market-oriented operation, technical innovation and standardization of management, as well as focus on the following work, thus to maintain the stable development and move towards the Group's goal of becoming a leading renewable energy company in the world.

1. Strengthen safety production management to maintain efficient, safe and stable production and operation

The Group will enhance the safety management, endeavor to reduce the equipment failure rate, and take further measures in response to transmission limitations, thus securing to accomplish the power generation target. The Group will further standardize the safety management system, provide more safety training, and reinforce safety supervision, thus allowing the Group to fully carry out all sorts of work, such as "safety evaluation" of the wind power farms, formulation of safety management system for wind power production, standardization of safety compliance by power enterprises, as well as prevention and correction of non-compliance.

2. Take further efforts for resource development to lay a solid foundation for the completion of annual plan and the "Twelfth Five-year" plan

Based on its long-term plan, the Group will continue to increase the reservation of pipeline projects in the areas without transmission limitations, thus allowing the Group to achieve a breakthrough in those provinces where a market exists for the low-middle speed wind farms. It will further enhance the scope of preliminary work, regulate the management procedure for preliminary work, and provide strong support for rational decisions. Meanwhile, the Group will further explore international development opportunities.

3. Emphasize both development and acquisition to ensure stable expansion of the operation scale

The Group will consider the conditions of the market and its own status, and ensure stable expansion of its operation scale based on the principle of emphasizing both development and acquisition.

4. Advocate technical innovation to strengthen viability and competitiveness of the Company

The Group will make more endeavors on the development of technologies, enhance the cultivation of technology talents, and facilitates the establishment of technology centers, all of which will improve the Group's competency in technologic innovation. While observing the movements of the policies, the Group will increase efforts in tracking technology development with regard to offshore wind power and solar energy, and seize opportunities to develop distributed wind farms along with research on the frontier technology of other renewable energies.

5. Strengthen management and make efforts to improve management and operation

The Group will constantly improve the organization and management through the establishment and modification of the world-class corporate mechanism. It will focus on improvement in internationalized enterprise management and overall competency in controlling and implementing the corporate system, assurance of corporate continuous development, and further advancement in production, infrastructure construction, operation, and innovation of technologies. Thus, the Group's operational process, such as regionalization of its production, optimization of its infrastructure construction planning and projects, management of its capital expenditure, and development of the professional technologies, will eventually be strengthened.

6. Cultivate corporate culture and talents to advance the healthy and fast development of the Group

The Group will continue to carry out full-scale promotion of corporate culture, it will further extend, deepen, and realize the culture of new energy enterprises featured with “harmony, innovation and excellence”, thus to sharpen its core competitiveness. Medium such as website will provide a platform for corporate culture and fully demonstrate the corporate image, which will provide the spiritual momentum to realize the Company’s strategic development targets.

The Group will offer more professional trainings and industry exchange programs, and further optimize the structural arrangement of executive elites and technology talents for the purpose of further increasing the percentage of the technology talents. With a platform for talents development as well as improvement of talent cultivation mechanism, the Group will cultivate more core talents, and constantly create a harmonious and stable environment for talents to develop.

Human Resources

I SUMMARY OF HUMAN RESOURCES

As of 31 December 2011, the Group had a total of 1,006 full-time employees. Set out below is the staff structure:

By function:

Function	Number of Employees	Percentage
Management	88	8.7%
Finance and accounting	110	10.9%
Technicians	173	17.2%
Operations and maintenance	507	50.4%
Human resources	63	6.3%
Administration	65	6.5%
Total	1,006	100.0%

By academic qualifications:

Academic qualifications	Number of Employees	Percentage
Postgraduate or above	75	7.5%
Undergraduate	604	60.0%
College diploma	304	30.2%
Technical secondary school or below	23	2.3%
Total	1,006	100.0%

By age:

Age	Number of Employees	Percentage
55 years old and above	8	0.8%
36–54 years old	209	20.8%
35 years old and below	789	78.4%
Total	1,006	100.0%

II STAFF INCENTIVES

The Group adopted various incentive mechanisms to retain and encourage talents. It has established and perfected an effective mechanism for staff performance appraisal and management. It has also studied and formulated incentive policies to attract professional technical and management talents in wind power industry. To cope with development needs, the Group has established sound performance assessment mechanism based on post and task responsibility system, which is conducted by evaluating the performance of staff against all performance targets framed in a sense that incentives and restrains run concurrently. Competitive promotion is adopted for some mid-level posts, thus creating opportunities for staff's development.

III STAFF TRAINING

The Group placed high emphasis on employee development. It has designed and organized various training programs tailored for the management, technicians and operation and maintenance personnel. With an aim to offer strong and effective training support to the healthy development of the Group as well as employees' career, the Group continues to reinforce training for maintaining the skills of talents and expand channels for the growth of talents.

In 2011, the Group provided its staff with various forms of training, primarily including safe production training, regular training for operational and managerial personnel, preparation training for new recruits. Besides, the Group has also formed a mid-level professional technique qualification assessment committee, aiming to facilitate cultivation and accreditation for new energy technical talents of the Group.

Through continuous development of various training programs, the Group continuously energized the talent team and enhanced the management efficiency.

IV REMUNERATION POLICY

The staff remuneration of the Group comprises of basic salary and bonus payment, which is made with reference to the operating results of the Group and results of performance assessment on the employees. As required by the PRC regulations, the Group participates in various defined pension schemes for employees, including those organized by provincial or municipal governments as well as supplemental pension schemes. Details of the pension schemes of the Group are set out in Note 7(a) to the Financial Statements.

Social Responsibility Report

SOCIAL RESPONSIBILITY OF THE COMPANY

With a view to achieve sustainable development of the Group and the society, the Group attaches great importance to the corporate social responsibility and put it into the practice of business operation. The Group continued to strive for the generation of long-term, stable and growing returns for shareholders and the provision of reliable, environmental friendly returns for the society in 2011. The Group has been committed to the mutual development of corporate responsibility and business operation to transform corporate social responsibility into a driving force of business operation.

ENERGY SAVING

The Company has been committed to developing wind power business as its core business and stepping up the process of developing other renewable energy business, such as solar power business, to provide green energy, promote energy saving and emission reduction and improve the environmental quality. The Company is committed to the investment, construction and operation of new energy projects by focusing on the development and utilization of wind resources, delivering green energy and actively responding to both domestic and abroad policies addressing climate changes, advocating energy saving and emission reduction as well as improving environment quality with effort. In 2011, the Company reduced emission of Carbon Oxide of approximately 6,180 thousand tons.

ENVIRONMENTAL PROTECTION

As a renewable energy company, the Group endeavors to protect the environment and is committed to conducting its operations in full compliance with the applicable environmental laws and regulations. The Group has strictly performed environmental evaluations at the preliminary stage of projects and conducted quantitative analysis on the environmental impacts likely to be brought from the projects. In preparing a preliminary feasibility study for wind farms, the Company complies strictly with relevant administrative regulations by implementing an environmental impact evaluation system, which mainly involves analysis of impacts on ecology, water, noise, atmosphere, natural landscape, electro-magnetic radiation that may be generated in a wind farm. The Company will implement protective measures and sound environmental management and monitor plan, as well as formulate sensible environmental protection investment budget, thus to achieve a win-win situation for the development and utilization of wind resources and ecology and environment protection. During the project construction and operation stage, the Company will carry through in-depth concept of energy saving and environmental protection, adopt all measures to augment environmental protection management in the construction and operation stage, attach importance to the "three simultaneousness" of both environmental protection and water preservation (i.e. the facilities for soil and water conservation and the main construction shall design, construct and commence operation simultaneously), and integrate the construction of wind farms with surroundings for incorporation into external natural environment, so as to create a green wind power project that is "environmental friendly, eco-harmonic and profit oriented", and make the wind farm a brilliant view of landscape locally.

SAFE PRODUCTION

The Company always treats production safety as a basis for corporate development and is committed to putting safe production in priority. In 2011, the Company continued to improve the standards on equipment reliability management, enhance technological renovation, inspection and maintenance of equipment, and overall operations management. In addition, the Company continuously strived to intensify safety evaluation work through quality tracking system. In respect of safe production, the Company has formulated and implemented rules and systems in relation to infrastructure, production and training and so forth, such that they are treated and handled as key processes in the course of production and operation and desirable results are yielded. In 2011, the Company maintained overall stable situation in terms of safety and recorded no incident involving casualties, material equipment accidents, traffic accidents or environmental pollutions.

SOCIAL WELFARE

The Company upholds the corporate cultural concept of “harmony, innovation, pursuit of excellence” that it participates actively in social public welfare undertakings, shoulders social responsibilities, devotes itself to local economy construction, society construction, culture construction, and unfolds public welfare activities to subsidize poor students, help the disabled, aid the unprivileged and to relieve those in stricken areas and in peril, so as to realize with effort a harmonic development of the enterprise itself and the community. For instance, staff of the subsidiaries at Weihai, Tongliao and other places have, during the construction period of wind power projects, visited poverty stricken local villagers frequently, brought to them sympathetic monies and articles, and provided them assistance in solving their living problems. The donation of capital and computers to the Hope Primary School in Tongliao that helped the school establish its computer room and won encouragement and commendation from local government as well as allegiance from local populace, setting a good corporate image.

Corporate Governance Report

The board (the "Board") of directors (the "Directors") of the Company hereby presents to the shareholders the corporate governance report for the period between 10 June 2011 (the "Listing Date") and 31 December 2011 (the "Reporting Period").

CORPORATE GOVERNANCE PRACTICES

The Company has always been committed to maintaining and promoting stringent corporate governance, and considered it as an indispensable part in creating values for shareholders. The principle of the Company's corporate governance is to promote effective internal control measures and to increase the transparency and accountability of the Board to all shareholders. The Company has adopted the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Ltd. (the "Listing Rules"). The Company periodically reviews its corporate governance practices to ensure its continuous compliance with the Code. During the Reporting Period, the Company strictly complied with the principles and code provisions, and some of the recommended best practices as set out in the Code without any deviation from the code provisions as set out in the Code.

Corporate governance practices adopted by the Company are summarized below.

1. Board of Directors

The Board exercises its powers and functions in accordance with the provisions as set out in the Articles of Association of the Company (the "Articles of Association"). The Board holds regular meetings to hear the report on the Group's financial position and operation results and makes timely decisions. Ad hoc meetings may be held if necessary. Material decisions on operation shall be discussed and approved by the Board. The Board reports its works at the general meeting of the shareholders, implements the resolutions passed thereupon and is accountable to the general meeting of the shareholders.

1.1 Composition of the Board

The Board comprises 11 Directors, including three non-executive Directors, four executive Directors, and four independent non-executive Directors. The biographical details of the Directors as at the date of this report are set out on page 46 to page 52 of this annual report. There are no relationships (including financial, business, family or other material or relevant relationship) among the Board members. Each Director has sound knowledge, experience and expertise relevant to the business operation and development of the Group. All Directors are aware of their joint and several responsibilities to the shareholders.

The Company has entered into service contracts with each of the Directors with a term ending in August 2013 from the relevant date of appointment.

Name	Position in the Company	Date of Appointment
CAO Peixi	Chairman of the Board, Non-executive Director	4 August 2010
ZHANG Tingke(1)	Vice Chairman of the Board, Non-executive Director	1 November 2011
ZHAO Keyu	Non-executive Director	4 August 2010
LIN Gang(2)	Executive Director, President	23 February 2012
NIU Dongchun	Executive Director	4 August 2010
YANG Qing	Executive Director	4 August 2010
HE Yan	Executive Director	4 August 2010
QIN Haiyan	Independent Non-executive Director	6 August 2010
DAI Huizhu	Independent Non-executive Director	6 August 2010
ZHOU Shaopeng	Independent Non-executive Director	6 August 2010
WAN Kam To	Independent Non-executive Director	6 August 2010

Notes:

(1) Mr. ZHANG Tingke was appointed as the Non-executive Director and Vice Chairman of the Company on 1 November 2011 and 5 December 2011, respectively. Mr. HUANG Long was appointed as a Non-executive Director and Vice Chairman of the Company on 4 August 2010 and resigned on 1 November 2011 due to work demand. For details, please refer to the Company's announcement dated 15 September 2011.

(2) Mr. ZHAO Shiming resigned as the Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012, on the same day, Mr. LIN Gang was appointed by the Board as a substitute Executive Director and the President of the Company. As a substitute Executive Director, Mr. LIN Gang shall hold office until the conclusion of next annual general meeting of the Shareholders. Mr. LIN Gang has also been nominated as an Executive Director of the Company, subject to the approval by the shareholders at the next annual general meeting of the shareholders. The Company will enter into a service contract work Mr. LIN Gang when the resolution of his appointment is approved by the Shareholders. For details, please refer to the Company's announcement dated 23 February 2012.

During the Reporting Period, the Board has been in compliance with the requirements of the Listing Rules regarding the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise. The qualifications of the four independent non-executive Directors of the Company are in full compliance with the requirements under Rule 3.10(1) and (2) of the Listing Rules. Moreover, the Company has received annual confirmations from each independent non-executive Director of his independence in accordance with Rule 3.13 of the Listing Rules. The Company therefore considered all independent non-executive Directors are in compliance with the independence requirements as set out in the Listing Rules.

1.2 Board Meetings

Pursuant to the Articles of Association, Board meetings include regular meetings and ad hoc meetings. The Board is required to hold at least four Board meetings each year and shall be convened by the Chairman of the Board. A notice of at least 14 days shall be given for a regular Board meeting. The notice shall state the time, venue and means by which the Board meeting will be convened. There is no restriction on the notice period for ad hoc Board meetings.

Except for the Board's consideration of matters in relation to connected transactions as stipulated by the Articles of Associations, the quorum for a Board meeting is the presentation of at least half of the total number of the Directors. A Director may attend the Board meeting in person, or appoint another Director in writing as his proxy to attend the Board meeting. The secretary to the Board of the Company is responsible for preparing and keeping the minutes of Board meetings and ensuring that such minutes are available for inspection by any Director.

During the Reporting Period, two meetings were held by the Board. Details of Directors' attendance to Board meetings are as follows:

Name	Position in the Company	Number of Meetings Attended/Held	Attendance Rate
CAO Peixi	Chairman of the Board, Non-executive Director	2/2	100%
HUANG Long(1)	Vice Chairman of the Board, Non-executive Director	1/2	100%
ZHANG Tingke(2)	Vice Chairman of the Board, Non-executive Director	1/2	100%
ZHAO Keyu	Non-executive Director	1/2	100% (Attendance by proxy rate: 50%)
ZHAO Shiming(3)	Executive Director, President	2/2	100%
NIU Dongchun	Executive Director	2/2	100%
YANG Qing	Executive Director	2/2	100%
HE Yan	Executive Director	2/2	100%
QIN Haiyan	Independent Non-executive Director	2/2	100%
DAI Huizhu	Independent Non-executive Director	2/2	100%
ZHOU Shaopeng	Independent Non-executive Director	2/2	100%
WAN Kam To	Independent Non-executive Director	1/2	100% (Attendance by proxy rate: 50%)

Notes:

(1) Mr. HUANG Long was appointed as a Non-executive Director and Vice Chairman of the Company on 4 August 2010 and resigned on 1 November 2011 due to work demand. For details, please refer to the Company's announcement dated 15 September 2011. During his term of office, one Board meeting was held and Mr. HUANG Long attended such meeting in person.

(2) Mr. ZHANG Tingke was appointed as a Non-executive Director of the Company on 1 November 2011. For the period between Mr. Zhang was appointed as a Non-executive Director of the Company and 31 December 2011, one Board meeting was held and Mr. ZHANG Tingke attended such meeting in person.

(3) Mr. ZHAO Shiming resigned as the Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012, on the same day, Mr. LIN Gang was appointed by the Board as a substitue Executive Director and the President of the Company. For details, please refer to the Company's announcement dated 23 February 2012.

1.3 Powers Exercised by the Board and the Management

The powers and duties of the Board and the management have been clearly defined in the Articles of Association. The Board is responsible for deciding on the Company's business strategies and investment plans, deciding on the establishment of the Company's internal management structure, formulating the Company's basic management system, deciding on and monitoring the implementation of the Company's risk management system, determining other material business and administrative matters of the Company and monitoring the performance of the management.

The management of the Company is responsible for implementing the resolutions approved by the Board and administering the Company's daily operation and management.

1.4 Chairman and President

During the Reporting Period, Mr. CAO Peixi acted as the Chairman of the Board and Mr. ZHAO Shiming acted as the President. The roles of the Chairman of the Board and President (i.e. chief executive officer pursuant to the relevant Listing Rules) of the Company are seperated and held by different persons to ensure the independence of responsibilities and the balance of power and authority between them. The Rules and Procedures of the Board Meeting approved by the Board clearly defined the division of duties between the Chairman and the President.

Mr. CAO Peixi, the Chairman of the Board, is primarily responsible for leading the Board in determining the overall development strategies of the Company, ensuring that the Board is functioning effectively in performing its duties, ensuring the formulation of good corporate governance system and practices and ensuring that the Board acts in the best interest of the Company and all of its shareholders. Mr. ZHAO Shiming, the President, was mainly responsible for the Company's daily operation and management, including the implementation of Board resolutions, formulating basic management provision, and making daily operation decisions etc.

1.5 Directors' Remuneration

The remuneration committee makes recommendations in respect of Directors' remuneration according to criteria such as work experience. Directors' remuneration is determined by the Board with reference to Directors' experience, work performance, position and market condition and subject to approval of general meeting of the shareholders.

1.6 Appointment and Re-election of Directors

Pursuant to the Articles of Association, Directors shall be elected at general meetings of the shareholders with a term of office of three years and may be re-appointed. The Company has implemented a set of effective procedures for the appointment of new Directors. Nomination of new Directors shall be first considered by the nomination committee whose recommendations will then be put forward to the Board for consideration. All newly nominated Directors are subject to election and approval at general meetings of the shareholders. Any person who is appointed by the Board to fill in the vacancy of the Board or to increase the Board number shall hold the position until the date of the next annual general meeting of the shareholders and is entitled to re-appointment and re-election.

2. BOARD COMMITTEES

There are three Board committees, namely the audit committee, remuneration committee and nomination committee.

2.1 Audit Committee

The audit committee consists of three non-executive Directors, namely, Mr. ZHOU Shaopeng (independent non-executive Director), Mr. ZHAO Keyu (non-executive Director) and Mr. WAN Kam To (independent non-executive Director). Mr. ZHOU Shaopeng currently serves as the chairman of the audit committee.

The primary responsibilities of the audit committee are to review and supervise the internal control and financial reporting process of the Company, and to maintain an appropriate relationship with independent auditors, which include, among other things:

- advising the Board in respect of the appointment, re-appointment and removal of independent auditors, reviewing and approving the compensation of independent auditors, supervising the work of independent auditors and formulating policies in terms of all non-audit services to be provided by independent auditors;
- reviewing the Company's annual and interim financial statements, financial control, internal control and risk management system and its financial and accounting policies and supervising the implementation of such policies;

- reviewing the procedures for the treatment of complaints received by the Company regarding its financial reporting process, internal control and other violation of laws and regulations; and
- reviewing the Company's continuing connected transactions and ensuring that the terms of such transactions are consistent with those approved by our shareholders.

For the year ended 31 December 2011, the audit committee held two meetings, details of which are as follows:

(1) On 28 March 2011, the first meeting of the audit committee of the first session of the Board for 2011 was held, at which resolutions regarding (1) the report made by the external auditor in respect of the audit of the Company's 2008 final financial statements; (2) the report made by the external auditor in respect of the audit of the Company's 2009 final financial statements; and (3) the report made by the external auditor in respect of the audit of the Company's 2010 final financial statements, were considered.

(2) On 23 August 2011, the second meeting of the audit committee of the first session of the Board for 2011 was held, at which resolutions regarding (1) the Company's 2011 interim results announcement; (2) the Company's 2011 interim report; and (3) the report made by the external auditor in respect of the review of the Company's 2011 interim financial statements were considered.

Mr. ZHOU Shaopeng and Mr. WAN Kam To attended both meetings. Mr. ZHAO Keyu attended the first meeting in person and attended the second meeting by proxy.

2.2 Remuneration Committee

The remuneration committee consists of three Directors, namely, Mr. QIN Haiyan (independent non-executive Director), Mr. Niu Dongchun (executive Director) and Ms. DAI Huizhu (independent non-executive Director). Mr. QIN Haiyan currently serves as the chairman of the remuneration committee.

The primary responsibilities of the remuneration committee are to formulate the remuneration policies and schemes for all executive Directors, to evaluate the performance of executive Directors and senior management, to review incentive plans and Directors' service contracts, to determine the compensation of Directors and senior management and to ensure that neither the director nor any of his or her associate may determine his or her own compensation etc.

For the year ended 31 December 2011, the remuneration committee held one meeting.

On 28 March 2011, the first meeting of the remuneration committee of the first session of the Board for 2011 was held to consider the remuneration of Directors and senior management members of the Company for the year 2011. All members of the remuneration committee attended the meeting.

2.3 Nomination Committee

During the Reporting Period, the nomination committee of the Company consisted of three Directors, namely, Mr. ZHAO Shiming(1) (executive Director), Mr. ZHOU Shaopeng (independent non-executive Director) and Mr. QIN Haiyan (independent non-executive Director). Mr. CAO Peixi currently served as the chairman of the nomination committee(1).

The primary responsibilities of the nomination committee are to identify and recommend to the Board candidates suitable to serve on the Board, to review the evaluation procedure of the performance of the Board, and to formulate and recommend to the Board nomination procedures and standards.

For the year ended 31 December 2011, the nomination committee held one meeting.

On 23 August 2011, the first meeting of the nomination committee of the first session of the Board for 2011 was held to consider the nomination of Mr. ZHANG Tingke as a non-executive Director of the Company. All members of the nomination committee attended the meeting.

Note:

(1) Mr. ZHAO Shiming resigned as the Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012, on the same day, Mr. LIN Gang was appointed by the Board as a substitute Executive Director and President of the Company. For details, please refer to the Company's announcement dated 23 February 2012. Mr. CAO Peixi was appointed by the Board as the chairman of the nomination committee under the Board of the Company on 19 March 2012.

3. Directors' Responsibility for the Financial Statements

The Directors acknowledged their responsibility for preparing the Financial Statements of the Group for the year ended 31 December 2011. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. In addition, appropriate insurance coverage for Directors' liability has been arranged against possible legal proceedings to be taken against the Directors.

4. Compliance with the Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules to govern securities transactions by its Directors and Supervisors. Having made specific enquiry to all Directors and Supervisors of the Company, all Directors and Supervisors have confirmed that they strictly complied with the required standard set out in the Model Code during the Reporting Period.

The Board will examine the corporate governance practices and operation of the Company from time to time so as to ensure the compliance with relevant requirements under the Listing Rules.

5. Internal Control

The Company has put prime emphasis on internal control. It has established a prudent internal control system to protect shareholders' investments and the Company's assets.

The Company set up several rules and regulations on internal control, including "Rules and Procedures of the Board Meeting"(《董事會議事規則》), "Rules and Procedures of Meetings of the Audit Committee"(《審核委員會議事規則》), "Rules and Procedures of Meetings of the Remuneration Committee"(《薪酬委員會議事規則》), "Rules and Procedures of Meetings of the Nomination Committee"(《提名委員會議事規則》), "Provisions on Sensitive Information Disclosure" (《敏感信息披露管理規定》), "Rules on the Conduct of Connected Transactions" (《關連交易管理辦法》), "Provisions on Information Disclosure" (《信息披露事務管理規定》), "Rules on the Legal and Compliance Matters" (《法律事務工作管理辦法》), "Provisions on Asset Management" (《固定資產管理辦法》), "Rules on Financial Statements" (《財務會計報告制度》), "Rules on Routine Accounting" (《日常會計核算制度》), and "Rules on Capital Management" (《資金管理制度》), which have been updated in accordance with the prevailing laws and regulations of the PRC and Listing Rules from time to time.

The Company also established various departments to ensure compliance with relevant laws and regulations, including specialized departments responsible for liaising with regulatory authorities with respect to obtaining necessary government approvals, permits, licenses and property certificates prior to the commencement of construction, commercial departments to organize bidding processes and procurement for wind power equipment and selection of contractors for project construction, safety departments to periodically monitor safety in our subsidiaries' project construction and operations, and auditing departments which report their findings directly to the management based on their periodical review of the Company's financial management and the development, construction and operations of wind farms.

During the Reporting Period, the Board assessed the internal control systems of the Group and was not aware of any material deficiencies nor any material defaults with respect to financial, operational and compliance controls and risk management. The Board considers that the current internal control system of the Group is effective and believes that the qualifications and experience of the staff of the Company's accounting and financial reporting functions, its training programs and budget thereof are adequate.

6. Auditors and Remuneration

KPMG and KPMG Huazhen were engaged as the international and domestic auditors of the Company respectively for the year ended 31 December 2011.

For the year ended 31 December 2011, the fees for audit services was RMB9.9 million. For the year ended 31 December 2011, the fees payable to KPMG for non-audit services was RMB3.1 million. The non-audit service provided by KPMG mainly involved review of the Company's interim results.

The Company's external auditor, KPMG's responsibility regarding its report on the Financial Statements are set out on page 53 of this annual report.

7. Communications with Shareholders

The Company attaches great importance to shareholders' opinions and advice. It actively organized various communications with investors and analysts in order to maintain good relationships, and made timely response to the reasonable requests of shareholders.

The Company has established both Chinese and English websites as the platform for disclosure of the Company's information. The Company publishes its announcements, financial information and other relevant information on the website at www.hnr.com.cn. Shareholders are welcomed to make enquiries directly to the Company and the Company will respond to all enquiries in a timely and appropriate manner.

During the Reporting Period, the Company convened an extraordinary general meeting of the shareholders.

In August 2011, the management of the Company carried out interim results roadshow in Hong Kong, made direct contact with institutional investors and analysts by way of presentations to investors, one-on-one meetings and teleconferences and has developed sound and stable relationships with them.

Report of the Board of Directors

The Board of the Company hereby presents to shareholders the annual report and the audited financial statements for the year ended 31 December 2011.

SHARE ISSUE AND LISTING

The shares of the Company were listed on the main board of the Hong Kong Stock Exchange in June 2011, and the Company issued an aggregate of 2,646,898,000 H shares after partial exercise of over-allotment option with a nominal value of RMB1.00 each, at the price of HK$2.50 per share by way of an initial public offering (the "IPO"). In connection with the Global Offering, 264,688,800 domestic state-owned shares of RMB1.00 each were converted into H shares on a one-for-one basis and transferred to the National Council for Social Security Fund of the PRC. As of 31 December 2011, the total share number of the Company was 8,446,898,000 shares, including 5,535,311,200 domestic shares and 2,911,586,800 H shares.

SHARE CAPITAL

As of 31 December 2011, the total issued share capital of the Company was RMB8,446,898,000, divided into 8,446,898,000 shares of RMB1.00 each. Details of movements in the share capital of the Company during the year are set out in Note 29(a) to the Financial Statements.

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

During the period between the Listing Date and 31 December 2011, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company.

PRE-EMPTIVE RIGHTS

According to the Articles of Association and the PRC law, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company in proportion to their shareholdings.

USE OF NET PROCEEDS

The Company first issued shares to the public on the Hong Kong Stock Exchange in June 2011. The net proceeds raised (including those from the partial exercise of over-allotment option) was approximately HK$6,323.86 million. The Company has made certain changes to the proposed use of proceeds. For details, please refer to the Company's announcements dated 6 December 2011 and 30 December 2011 respectively. During the reporting period, the Company, through a wholly owned subsidiary in Hong Kong, used approximately HK$236 million to subscribe for shares offered by Guodian Technology & Environment Group Corporation Limited (HK stock code: 01296) in its public offering at an offer price of HK$2.16 per share.

PRINCIPAL BUSINESS

The Group is principally engaged in wind power generation. Details of subsidiaries and a jointly controlled entity of the Company are set out in Note 17 and 18 to the Financial Statements.

RESULTS

The audited results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 55 to page 56. The financial position of the Group as of 31 December 2011 is set out in the consolidated balance sheet on page 57 to page 58. The consolidated cash flow of the Group for the year ended 31 December 2011 is set out in the consolidated cash flow statement on page 63 to page 64.

A discussion and analysis of the Group's performance during the year and financial position as of the year end and the material factors underlying its results are set out in the Management's Discussion and Analysis on page 13 to page 21 of this annual report.

RESERVES

Details of the movements in reserves of the Company during the year are set out in Note 29(a) to the Financial Statements, among which, details of reserves attributable to the shareholders are set out in Note 29(e) to the Financial Statements.

PROFIT DISTRIBUTION

The Board decided not to distribute a final dividend for the year ended 31 December 2011.

PROPERTY, PLANT AND EQUIPMENT

Please refer to Note 14 to the Financial Statements for details of properties, plants and equipment of the Group during the year.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as of 31 December 2011 are set out in Note 24 to the Financial Statements.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth certain information concerning the Directors, supervisors and senior management of the Company as of the date of this annual report.

Name	Position in the Company	Date of Appointment
CAO Peixi	Chairman of the Board, Non-executive Director	4 August 2010
ZHANG Tingke(1)	Vice Chairman of the Board, Non-executive Director	1 November 2011
ZHAO Keyu	Non-executive Director	4 August 2010
LIN Gang(2)	Executive Director, President	23 February 2012
NIU Dongchun	Executive Director, Vice President	4 August 2010
YANG Qing	Executive Director, Vice President and Chief Financial Officer	4 August 2010
HE Yan	Executive Director, Vice President	4 August 2010
QIN Haiyan	Independent Non-executive Director	6 August 2010
DAI Huizhu	Independent Non-executive Director	6 August 2010
ZHOU Shaopeng	Independent Non-executive Director	6 August 2010
WAN Kam To	Independent Non-executive Director	6 August 2010
HUANG Jian(3)	Chief Supervisor	1 November 2011
WANG Huanliang	Supervisor	4 August 2010
LIANG Zongxin	Supervisor	4 August 2010
DING kun	Vice President	29 April 2011
HU Ying	Vice President	29 April 2011
YAN Shusen	Vice President	23 August 2011
SONG Yuhong	Secretary to the Board of Directors, Joint Company Secretary	4 August 2010

Notes:

(1) Mr. ZHANG Tingke was appointed as the Non-executive Director of the Company on 1 November 2011. Mr. HUANG Long was appointed as a Non-executive Director and Vice Chairman of the Company on 4 August 2010 and resigned on 1 November 2011 due to work demand. For details, please refer to the Company's announcement dated 15 September 2011.

(2) Mr. ZHAO Shiming resigned as the Executive Director, chairman of the nomination committee under the Board and President of the Company on 23 February 2012, on the same day, Mr. LIN Gang was appointed by the Board as a substitute Executive Director and the President of the Company. For details, please refer to the Company's announcement dated 23 February 2012.

(3) Mr. HUANG Jian was appointed as a supervisor of the Company on 1 November 2011. Mr. XU Ping was appointed as a supervisor of the Company on 4 August 2010 and resigned on 1 November 2011 due to work demand. For details, please refer to the Company's announcement dated 15 September 2011.

BIOGRAPHIES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, supervisors and senior management are set out on page 46 to page 52 of this annual report.

SERVICE CONTRACTS OF DIRECTORS AND SUPERVISORS

Each of the Directors and supervisors has entered into service contracts with the Company. None of the Directors or supervisors has entered into a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' REMUNERATION

Details of the remuneration of the Company's Directors and supervisors are set out in Note 9 to the Financial Statements.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS

During or at the end of financial year ended 31 December 2011, there was no contract of significance to the Group's business in which the Company or its subsidiaries was a party, and in which a Director or supervisor had a material interest, either directly or indirectly, subsisted during or at the end of financial year ended 31 December 2011.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

During the year of 2011, save as disclosed below, none of the Directors and their associates had any competing interests in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group:

Name	Position in the Company	Other Interests
CAO Peixi	Chairman of the Board, Non-executive Director	President of Huaneng Group, Chairman of Huaneng International Power Development Corporation ("HIPDC"), Chairman and an executive director of Huaneng Power International, Inc. ("HPI")
ZHANG Tingke	Vice Chairman of the Board, Non-executive Director	Vice President of Huaneng Group, Chairman of Huaneng Shandong Shidao Bay Nuclear Power Co., Ltd.
ZHAO Keyu	Non-executive Director	Chief of the Planning Department of Huaneng Group

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

As at 31 December 2011, none of the Directors, supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (as defined in Part XV of the Securities and Futures Ordinance of Hong Kong (the "SFO")) which would have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which have to be recorded in the register under Section 352 of the SFO, referred to therein, or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

INTEREST AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES

As at 31 December 2011, to the best knowledge of the Directors, the following persons (other than the Directors, chief executive or supervisors of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed by the Company pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of shareholder	Class of shares	Capacity/Nature of interests	Number of shares held (shares)	Approximate percentage in the relevant class of shares (%)[3]	Approximate percentage in the total share capital (%)[4]
Huaneng Group[1]	Domestic shares	Beneficial owner/Interest of controlled corporation	5,535,311,200 (Long position)	100%	65.53%
National Council for Social Security Fund (全國社會保障基金理事會)	H shares	Beneficial owner	248,570,000 (Long position)	8.54%	2.94%
China Life Insurance (Group) Company	H shares	Interests of controlled corporation	22,500,000 (Long position)	0.77%	0.27%
	H shares	Beneficial owner	169,700,000 (Long position)	5.83%	2.01%
Best Investment Corporation[2]	H shares	Beneficial owner	193,184,000 (Long position)	6.64%	2.29%
China Investment Corporation[2] (中國投資有限責任公司)	H shares	Interests of controlled corporation	204,364,000 (Long position)	7.02%	2.42%
SCMB Overseas Limited	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
Standard Chartered Asia Limited	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
Standard Chartered Bank	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
Standard Chartered Holdings (International) B.V.	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
Standard Chartered Holdings Limited	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
Standard Chartered MB Holdings B.V.	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
Standard Chartered PLC	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
Standard Chartered Private Equity (Mauritius) III Limited	H shares	Beneficial owner	155,542,000 (Long position)	5.34%	1.84%
Standard Chartered Private Equity Limited	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
Temasek Holdings (Private) Limited	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%

Name of shareholder	Class of shares	Capacity/Nature of interests	Number of shares held (shares)	Approximate percentage in the relevant class of shares (%)[3]	Approximate percentage in the total share capital (%)[4]
CSR Corporation Limited (中國南車股份有限公司)	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
CSR Group (中國南車集團公司)	H shares	Interests of controlled corporation	155,542,000 (Long position)	5.34%	1.84%
State Grid International Development Limited (國家電網國際發展有限公司)	H shares	Beneficial owner	155,542,000 (Long position)	5.34%	1.84%
Government of Singapore Investment Corporation Pte Ltd	H shares	Investment Manager	146,558,000	5.03%	1.74%

Notes:

(1) Huaneng Group is beneficially interested in 5,258,545,640 domestic shares, representing approximately 62.25% of the total share capital of the Company. Huaneng Capital Services Corporation Ltd. ("Huaneng Capital") is interested in 276,765,560 domestic shares, representing approximately 3.28% of the total share capital of the Company. Since Huaneng Capital is a wholly-owned subsidiary of Huaneng Group, Huaneng Group is therefore deemed to be interested in the domestic shares held by Huaneng Capital.

(2) China Investment Corporation holds 204,364,000 H shares through its wholly-owned subsidiary Best Investment Corporation. Best Investment Corporation holds 193,184,000 H shares according to the record of share register.

(3) It is calculated on the basis that the Company has issued 5,535,311,200 domestic shares or 2,911,586,800 H shares after its partial exercise of over-allotment option on 30 June 2011 and the issue of relevant shares on 7 July 2011.

(4) It is calculated on the basis that the Company has issued 8,446,898,000 shares in total after its partial exercise of over-allotment option on 30 June 2011 and the issue of relevant shares on 7 July 2011.

MANAGEMENT CONTRACTS

The Company did not enter into any contract in respect of the management or administration of the entire or any significant part of the business of the Company nor any such contract subsisted at any time during 2011.

SUBSEQUENT EVENT

There was no material subsequent event after 31 December 2011.

CONNECTED TRANSACTIONS

Major connected transactions of the Group during 2011 are as follows:

1. Non-exempt One-off Connected Transaction

The Group has entered into certain non-exempt connected transactions during 2011. The purposes of the Company to enter into such connected transactions were to meet the operational needs of the Company and to get the most favourable terms and conditions from the market from the Company's perspective. The relevant information regarding the connected transactions was set out in the announcement of the Company dated 9 September 2011.

	Connected Transactions	Connected Person	Consideration (RMB'000)
1.	Provision of research services to the Group	China Huaneng R&D Center	9,900
2.	Capital increase in Huaneng Finance	China Huaneng Finance Corporation Limited	30,000

(1) Provision of research services to the Group

The Company entered into a research and development agreement (the "Research and Development Agreement") with China Huaneng R&D Center ("Huaneng R&D Center") on 9 September 2011.

Pursuant to the Research and Development Agreement, Huaneng R&D Center will, among others, assist the Company to design and develop a complete monitoring and early warning system for wind turbines and provide relevant technical support, including, (i) providing technical seminars, specialized training and technical consulting services to the Company, (ii) completing applications of at least two patents and one software copyright (the patents and the software copyright developed by Huaneng R&D Center in connection with the Research and Development Agreement will be owned by the Company), and (iii) issuing a research report with respect to the monitoring and early warning system for wind turbines. The relevant research and development services provided by Huaneng R&D Center shall follow the specific technical criterion and research plan set forth under the Research and Development Agreement.

Huaneng Group holds 65.53% equity interests in the Company, including 62.25% direct equity interests held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly owned subsidiary of Huaneng Group. Huaneng Group currently holds 100% equity interests in Huaneng R&D Center. As such, Huaneng R&D Center is a connected person of the Company and transaction of the Company with Huaneng R&D Center constitutes connected transaction of the Company under the Listing Rules.

The Company will pay research and development fees to Huaneng R&D Center in the total amount of RMB9.9 million in the form of three installments of RMB3.2 million, RMB3.3 million and RMB3.4 million, for the three years ending 31 December 2011, 2012 and 2013, respectively. The Research and Development Agreement will expire on 31 December 2013. As of 31 December 2011, the Company has paid to Huaneng R&D Center research and development fees in an amount of RMB3.05 million.

(2) Capital increase in Huaneng Finance

The Company entered into a capital increase agreement (the "Capital Increase Agreement") with China Huaneng Finance Corporation Ltd. ("Huaneng Finance") on 9 September 2011, pursuant to which the Company, as an existing shareholder of Huaneng Finance, would subscribe for the newly increased registered share capital of Huaneng Finance in cash proportionate to its current shareholding.

Principal terms of the Capital Increase Agreement are as follows:

- Interests to be subscribed: The Company holds 1% of the registered share capital of Huaneng Finance as of the date of the Capital Increase Agreement. As the transaction is to be conducted on a pro-rata basis in accordance with the existing shareholdings of Huaneng Finance, the Company's percentage interests in Huaneng Finance will remain unchanged following the completion of the transaction.

- Subscription amount: The Company will subscribe for an amount of up to RMB30.0 million of the newly increased registered share capital of Huaneng Finance so as to maintain its existing 1% equity interests in Huaneng Finance after the completion of the transaction. The Company will pay the subscription price in cash upon completion of the transaction and the consideration will be funded by the Company's self-raised funds.

- Conditions precedent: (i) all necessary approvals by, consents from and filing with the PRC government or its authorized agencies in respect of the transaction have been obtained, except those legal procedures that could only be completed after the completion of the transaction in accordance with the applicable PRC laws; (ii) all necessary internal procedural approvals by Huaneng Finance and its shareholders in respect of the transaction have been obtained; and (iii) the representations and warranties made by the parties in the Capital Increase Agreement are true and accurate as at the payment date of the subscription price.

- Payment and closing date: The Company shall pay up the increased capital it subscribed to Huaneng Finance by way of cash within five business days after the above conditions precedent have been satisfied or waived.

Huaneng Group holds 65.53% equity interests in the Company, including 62.25% direct equity interests held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Huaneng Group currently holds 51% equity interests in Huaneng Finance while 48% of the total equity interests in Huaneng Finance are held by relevant associates of Huaneng Group. As such, Huaneng Finance is a connected person of the Company and transaction of the Company with Huaneng Finance constitutes connected transaction of the Company under the Listing Rules.

The Board has reviewed and approved the resolution in connection with each of the abovementioned connected transactions. The Board (including the independent non-executive Directors) reviewed and confirmed that such transactions have been conducted on the following basis:

(1) in the ordinary and usual course of business of the Company;

(2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, from the perspective of the Company, on terms no less favorable than the terms available to or from independent third parties; and

(3) in accordance with relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

2. Non-exempt Continuing Connected Transactions

The Group has entered into certain non-exempt continuing connected transactions during 2011. The table below has set out the annual caps for 2011 and the actual transaction amounts of such connected transactions:

	Connected Transactions	**Connected Person**	**Annual Cap for 2011** (RMB'000)	**Actual Transaction Amount for 2011** (RMB'000)
1.	Property lease to the Group	Xinsheng Property Management Co., Ltd.; Huaneng Dali Hydro Power Co., Ltd.	12,000	10,876
2.	Provision of CDM project management services by the Group	HIPDC Jilin Tongyu Wind Power Branch; HIPDC Jilin Baicheng Wind Power Branch: Huaneng Qidong Wind Power Co., Ltd. ("Qidong Wind Power")	2,200	1,450
3.	Provision of insurance to the Group	Alltrust Insurance Company of China Limited ("Alltrust Insurance")	40,000	29,179
4.	Provision of technical service to the Group	Xi'an Thermal Power Research Institute Co. Ltd. ("Xi'an Institute")	40,000	10,459
5.	Provision of deposit services to the Group	China Huaneng Finance Corporation Limited	600,000	245,000

In respect of the number 1 and number 2 non-exempt continuing connected transactions as set out above, at the time of the listing of the Company's H shares, the Hong Kong Stock Exchange approved the annual caps of those continuing connected transactions and granted a waiver to the Company from strict compliance with the independent shareholders' approval requirements, but are subject to reporting, annual review and announcement requirement under the Listing Rules. In respect of the number 3 non-exempt continuing connected transaction as set out above, at the time of the listing of the Company's H shares, the Hong Kong Stock Exchange approved the annual caps of such continuing connected transaction, but are subject to reporting, annual review, announcement and independent shareholders' approval requirements under the Listing Rules. For number 1 non-exempt continuing connected transaction as set out above, adjustments have been made to the annual caps for years 2011, 2012 and 2013.

(1) Property lease to the Group

The Company entered into a framework property lease agreement on 13 September 2010 with Huaneng Group, as amended by a supplement agreement dated 29 April 2011 (collectively referred to as the "**Framework Property Lease Agreement**"), for a term of three years commencing on the Listing Date. The Framework Property Lease Agreement is subject to renewal provided that it is in compliance with the relevant provisions on connected transactions under the Listing Rules. On 9 September 2011, the Company entered into a supplement agreement with Huaneng Group, pursuant to which the annual caps of the aggregate rental expenses will be revised to RMB12.0 million, RMB14.0 million and RMB17.0 million for the years ending 31 December 2011, 2012 and 2013, respectively.

The principal terms of the supplement agreement to the Framework Property Lease Agreement are as follows:

- The annual caps of the aggregate rental expenses paid by the Company will be revised to RMB12.0 million, RMB14.0 million and RMB17.0 million for the years ending December 31, 2011, 2012 and 2013, respectively.
- The Framework Property Lease Agreement will expire on 31 December 2013, and is renewable provided that it is in compliance with the relevant requirements under the Listing Rules and is agreed by the relevant parties.

Huaneng Group holds 65.53% equity interests in the Company, including 62.25% direct equity interests held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly owned subsidiary of Huaneng Group. As such, Huaneng Group is a connected person of the Company and transaction of the Company with Huaneng Group constitutes continuing connected transaction of the Company under the Listing Rules. Relevant information regarding such continuing connected transaction was set out in "Connected Transactions" section of the Company's Prospectus dated 30 May 2011 and the announcement of the Company dated 9 September 2011.

The annual cap of this continuing connected transaction for 2011 was RMB12.0 million and the actual transaction amount was RMB10,876 thousand.

(2) Provision of CDM project management services by the Group

During the years ended 31 December 2008, 2009 and 2010, the Group entered into CDM services agreements (collectively referred to as the "**CDM Services Agreements**") with HIPDC's branches, Qidong Wind Power and HPI, respectively. These agreements will expire on 31 December 2012. Pursuant to the CDM Services Agreements, the Group provide various management services to the Jilin Wind Farms, Qidong Wind Farm and Gansu Wind Farms (collectively, the "Managed CDM Projects"), including but not limited to, the registration of the Managed CDM Projects as CDM projects. The annual caps of the aggregate services fees received from HIPDC's branches, Qidong Wind Power and HPI will be approximately RMB2.2 million and RMB2.2 million for the years ending 31 December 2011 and 2012.

Jilin Tongyu and Jilin Baicheng are wholly owned by HIPDC, which is controlled by Huaneng Group; as such, Jilin Tongyu and Jilin Baicheng are the connected persons of the Company under the Listing Rules. Qidong Wind Power is 65% owned by HPI, which is controlled by Huaneng Group; as such, Qidong Wind Power and HPI are the connected persons of the Company and such transactions of the Company constitute continuing connected transaction of the Company under the Listing Rules. Relevant information regarding such continuing connected transaction was set out in "Connected Transactions" section of the Company's Prospectus dated 30 May 2011.

The annual cap of this continuing connected transaction for 2011 was RMB2.2 million and the actual transaction amount was RMB1,450 thousand.

(3) Provision of insurance to the Group

The Company entered into a framework insurance agreement with Alltrust Insurance Beijing Branch on 6 August 2010, as amended by a supplement agreement dated 29 April 2011 (collectively referred to as the "**Framework Insurance Agreement**"), for a term of three years, subject to renewal provided that it is in compliance with the relevant provisions on connected transactions under the certain applicable rules and regulations. Under the Framework Insurance Agreement, the subsidiaries of the Company will enter into separate insurance agreements with Alltrust Insurance Beijing Branch according to the principal terms. The annual caps of the aggregate insurance premium paid to Alltrust Insurance would be approximately RMB40.0 million, RMB60.0 million and RMB80.0 million for the years ending 31 December 2011, 2012 and 2013.

Alltrust Insurance is a subsidiary of Huaneng Group. As such, Alltrust Insurance is a connected person of our Company and transaction of the Company with Alltrust Insurance constitutes continuing connected transaction of the Company under the Listing Rules. Relevant information regarding such continuing connected transaction was set out in "Connected Transactions" section of the Company's Prospectus dated 30 May 2011.

The annual cap of this continuing connected transaction for 2011 was RMB40.0 million and the actual transaction amount was RMB29,179 thousand.

(4) Provision of technical service to the Group

The Company entered into a Framework Technical Service Agreement with Xi'an Institute on 9 September 2011, pursuant to which Xi'an Institute would provide technical services to the wind power projects operated by the Group, including, among others, production monitoring, testing and examination of the Group's wind power equipment and issuing relevant technical reports. The annual caps for the aggregate service fees payable to Xi'an Institute by the Group would be approximately RMB40.0 million, RMB45.0 million and RMB50.0 million for the years ending 31 December 2011, 2012 and 2013.

The principal terms of the Framework Technical Service Agreement are as follows:

- Xi'an Institute agrees to provide technical services, including, among others, production monitoring, testing and examination of the Group's newly set-up wind power equipment and issuing relevant technical reports, to the Group.
- Relevant subsidiaries of the Company will enter into separate agreements with Xi'an Institute which shall set out the specific scope of services and terms and conditions of providing such services according to the principles laid down by the Framework Technical Service Agreement.
- The Company will, and will procure its subsidiaries to, pay service fees to Xi'an Institute with respect to the technical services it provides.
- The Framework Technical Service Agreement will expire on 31 December 2013 and is renewable subject to the agreements of the parties. Each party may terminate the agreement upon giving the other party three months' written notice.

Huaneng Group holds 65.53% equity interests in the Company, including 62.25% direct equity interests held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Huaneng Group currently holds 52.00% equity interests in Xi'an Institute. As such, Xi'an Institute is a connected person of the Company and transaction of the Company with Xi'an institute constitutes continuing connected transaction of the Company under the Listing Rules. The relevant information regarding such continuing connected transaction was set out in the announcement of the Company dated 9 September 2011.

The annual cap of this continuing connected transaction for 2011 was RMB40.0 million and the actual transaction amount was RMB10,459 thousand.

(5) Provision of deposit services to the Group

The Company entered into a Huaneng Finance Framework Agreement with Huaneng Finance on 19 March 2012, pursuant to which Huaneng Finance would provide deposit services to the Group. The annual caps for the outstanding balances of the deposits to be placed with Huaneng by the Group would be approximately RMB600 million, RMB600 million and RMB600 million for the years ended or ending on 31 December 2011, 2012 and 2013.

The principal terms of the Huaneng Finance Framework Agreement are as follows:

- Huaneng Finance agrees to provide deposit services and loan advancement to the Group.
- The Group will enter into separate agreements with Huaneng Finance which shall set out specific scope of services and terms and conditions of providing such services according to the principles laid down in the Huaneng Finance Framework Agreement.
- The Huaneng Finance Framework Agreement was signed on 19 March 2012 for a term of three years with retrospective effect from 5 December 2011 and expiring on 31 December 2013.
- Either party may terminate the agreement upon giving the other party three months' written notice.

Huaneng Group holds 65.53% equity interests in the Company, including 62.25% equity interests directly held by Huaneng Group and 3.28% equity interests held through Huaneng Capital, a wholly-owned subsidiary of Huaneng Group. Huaneng Group currently holds 51.00% equity interests in Huaneng Finance. As such, Huaneng Finance is a connected person of the Company. The transactions under the Huaneng Finance Framework Agreement will be conducted on an on-going basis and therefore will constitute continuing connected transactions under the Listing Rules. The relevant information regarding such continuing connected transaction was set out in the announcement of the Company dated 19 March 2012.

The annual cap of this continuing connected transaction for 2011 was RMB600 million and the actual transaction amount was RMB245 million.

The independent non-executive Directors of the Company have reviewed each of the abovementioned continuing connected transactions and confirmed that such transactions have been conducted on the following basis:

(1) in the ordinary and usual course of business of the Group;

(2) on normal commercial terms or, if there are no sufficient comparable transactions to determine whether they are on normal commercial terms, from the perspective of the Group, on terms no less favorable than the terms available to or from independent third parties; and

(3) in accordance with relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged its external auditor to report on the Group's above-mentioned continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagement Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor 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 set out above in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor letter has been provided by the Company to the Hong Kong Stock Exchange.

The related party transactions in 2011 as disclosed in Note 33(a) to the financial statements prepared in accordance with IFRSs fall under the definition of "continuing connected transaction" in Chapter 14A of the Listing Rules, except for the research services provided by Huaneng R&D Center of RMB3.05 million which is a one-off connected transaction.

COMPLIANCE WITH NON-COMPETITION AGREEMENT

The Company entered into the Non-Competition Agreement with Huaneng Group on 6 August 2010, as amended by a supplemental agreement dated 23 November 2010, under which Huaneng Group agreed not to compete with us in our core businesses and granted us the Option for New Business Opportunities, the Option for Acquisitions and the Pre-Emptive Rights. Pursuant to the agreement, the independent non-executive Directors of the Company are responsible for reviewing and considering whether or not to take up a new business opportunity referred to by Huaneng Group or exercise the pre-emptive rights, and such decision will be made by the independent non-executive Directors. Also, the independent non-executive Directors will perform a periodic review on the Retained Business by Huaneng Group's unlisted subsidiaries and make recommendations to the Board as to whether to exercise the option to acquire any of the Retained Business by Huaneng Group's unlisted subsidiaries.

During the year, the independent non-executive Directors of the Company have reviewed the implementation of the Non-Competition Agreement and have confirmed that Huaneng Group has been in full compliance with the agreement and there was no breach by Huaneng Group.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the purchase from the Group's five largest wind turbine suppliers in aggregate contributed 88.0% of the Group's total purchase of goods and services for the year, among which, the total purchase from the largest supplier contributed 45.2% of the Group's total purchases for the year.

For the year ended 31 December 2011, the purchase from the Group's five largest suppliers who provided us with goods and services the cost of which are not capitalized in aggregate contributed 31.80% of the Group's total purchase of goods and services for the year, among which, the total purchase from the largest supplier contributed 14.4% of the Group's total purchases for the year.

For the year ended 31 December 2011, the sales to the Group's five largest customers in aggregate contributed 85.9% of the Group's total sales for the year, among which, the sales to the largest customer contributed 27.1% of the Group's total sales for the year.

During the year, so far as the Directors are aware, none of the Directors, associates of Directors and any shareholders of the Company (who to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had any interest in the Company's five largest suppliers or five largest customers during the year.

RETIREMENT AND EMPLOYEES BENEFIT SCHEME

Details of the Group's retirement and employees benefit scheme are set out in Note 7(a) to the Financial Statements.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company strives to maintain a high standard of corporate governance practices and complies strictly with the code provisions as set out in the Code on Corporate Governance Practices in Appendix 14 to the Listing Rules. For details, please refer to the Corporate Governance Report as set out on page 26 to page 32 of this annual report.

PUBLIC FLOAT

Based on information publicly available to the Company and so far as the Directors are aware, not less than 25% of the issued share capital of the Company was held by the public as at the latest practicable date prior to the issue of this annual report, which was in compliance with the requirements under the Listing Rules.

MATERIAL LITIGATION

As of 31 December 2011, the Company was not involved in any material litigation or arbitration. As far as the Directors are aware, no such litigation or claims are pending or threatened against the Company.

AUDIT COMMITTEE

The 2011 annual results of the Group and the Financial Statements for the year ended 31 December 2011 prepared in accordance with the International Financial Reporting Standards have been reviewed by the audit committee of the Company.

AUDITORS

KPMG and KPMG Huazhen were engaged as the international and domestic auditors of the Company respectively for the year ended 31 December 2011. KPMG has audited the accompanying financial statements, which were prepared in accordance with International Financial Reporting Standards. The Company has retained KPMG and KPMG Huazhen since the date of its listing. A resolution for the reappointment of KPMG and KPMG Huazhen as the international and domestic auditors of the Company for the year ending 31 December 2012 will be proposed at the upcoming annual general meeting of the Company.

By order of the Board
Huaneng Renewables Corporation Limited
Chairman of the Board
CAO Peixi

Beijing, the PRC, 19 March 2012

Report of the Board of Supervisors

The board of supervisors of the Company currently consists of three members, among whom at least one member must be employee representative supervisor elected by employees. Except for the employee representative supervisor, the other supervisors are elected by shareholders at the general meeting. All the supervisors shall have a term of three years, which is renewable upon re-election and re-appointment. The major duties of the board of supervisors include, but not limited to: monitoring the financial activities of the Company; supervising the conduct of Directors and senior management officers in carrying out their duties and proposing to remove the Director or senior management officer who has violated applicable laws, regulations, Articles of Association or shareholders resolutions; demanding Directors, President and other senior management officers to rectify any action that is prejudicial to the interest of the Company; reviewing and verifying financial reports, operation reports and profit distribution proposals prepared by the Board, and in case of doubt, appointing certified public accountants and practicing auditors to re-examine the financial information of the Company; bringing actions on behalf of the Company against Directors or senior management officers; and exercising other powers and performing other functions and duties as conferred by our Articles of Association.

In 2011, all members of the board of the Company strictly complied with relevant laws and regulations and the Articles of Association, and earnestly performed their duties so as to protect the interest of the shareholders and the benefit of the Company. The relevant implementation procedures were in compliance with relevant laws and regulations and the Articles of Association. Major work of the board of supervisors in the reporting period is summarized as follows:

MEETINGS CONVENED BY THE BOARD OF SUPERVISORS

In accordance with the applicable laws and regulations, the Articles of Association of the Company and the practical needs of the Company's development, the board of the supervisors convened two meetings and completed the following tasks in 2011:

1. The first meeting of the first session of the board of supervisors in 2011 was held on 25 August 2011, at which the resolutions regarding (1) the 2011 Interim Report of Huaneng Renewables Corporation Limited, (2) Interim Results Announcement of Huaneng Renewables Corporation Limited; and (3) nomination of Mr. HUANG Jian as a supervisor of the Company were considered and approved.

2. The second meeting of the first session of the board of supervisors in 2011 was held on 2 December 2011, at which the resolution regarding the appointment of Mr. HUANG Jian as the chief supervisor was considered and approved.

WORK OF THE BOARD OF SUPERVISORS

In 2011, the first session of the board of supervisors mainly carried out the following work:

Monitoring Company's Operation

During the reporting period, members of the board of supervisors participated in the discussions of major operating decisions through attending Board meetings and general meetings of the shareholders held by the Company, reviewed the proposals that were submitted to the Board for consideration and monitored the operation of the Company. The board of supervisors is of the opinion that the business activities of the Company complied with relevant laws and regulations and the Articles of Association. Meanwhile, the Directors and senior management of the Company have diligently performed their duties and earnestly implemented the resolutions of the general meetings of the shareholders so as to safeguard the interests of the shareholders and the benefit of the Company. In the course of examining the operation of the Company and supervising the performance of duties of the Directors and senior management, the board of supervisors has not found any of their behaviors which contravened any applicable laws or the Articles of Association or any issues that has caused damage to the interests of the shareholders and the Company.

Examining the Company's Financial Condition

During the reporting period, the board of supervisors carefully examined and reviewed the relevant financial information and the auditors' reports of the Group. The board of supervisors is of the opinion that the preparation of the Group's financial statements complies with the International Financial Reporting Standards, for which no concern has been found. Having duly reviewed the 2011 annual financial report and relevant information to be submitted by the Board to the general meeting of the shareholders, and as audited by the independent auditors with an unqualified opinion, the board of supervisors is of the opinion that the annual report reflects the financial condition and operating results of the Group on a consistent basis and in an accurate, true and fair manner.

Monitoring the Company's Information Disclosure

During the reporting period, the board of supervisors reviewed the information disclosure system and all relevant documents that the Company has publicly published, the board of supervisors is of the opinion that the Company has disclosed the relevant information in a timely, true, accurate and complete manner in accordance with the requirements of the Hong Kong Stock Exchange and no false information was found.

Chief Supervisor
HUANG Jian

Beijing, the PRC, 19 March 2012

Biographies of Directors, Supervisors and Senior Management

Non-Executive Directors

Mr. CAO Peixi

Mr. CAO Peixi (曹培璽), aged 56, is a non-executive Director and Chairman of the Board of the Company. Mr. Cao joined the Company on 4 August 2010 when he was appointed as a non-executive Director of the Company. He has been the President of Huaneng Group since June 2008. Mr. Cao is also the Chairman of HIPDC, and an executive Director and Chairman of HPI. Mr. Cao has over 37 years of experience in power industry. Prior to joining Huaneng Group, Mr. Cao served as President of China Huadian Corporation(中國華電集團公司) from October 2006 to June 2008 and Vice President of China Huadian Corporation (中國華電集團公司) from December 2002 to October 2006. Mr. Cao also served as Chairman and President of Shandong Power Group Corporation (山東電力集團公司) from January 2001 to December 2002, deputy chief of Shandong Power Bureau (山東電力局), the predecessor of Shandong Power Group Corporation (山東電力集團公司), from May 1996 to January 2001 and assistant chief of Shandong Power Bureau from December 1995 to May 1996. Mr. Cao graduated in 1979 from Shangdong Institute of Technology. He also graduated in 2002 from Shandong University with a master's degree in engineering. Mr. Cao is a senior engineer.

Mr. ZHANG Tingke

Mr. ZHANG Tingke (張廷克), aged 55, is a non-executive Director and Vice Chairman of the Board of the Company. Mr. Zhang joined the Company on 1 November 2011 when he was appointed as a non-executive Director of our Company. Currently he is also a Vice President of Huaneng Group, the Company's controlling shareholder, and Chairman of the board of directors of Huneng Shandong Shidao Bay Nuclear Power Co., Ltd. (山東石島灣核電有限公司). Mr. Zhang has served successively as deputy head of the Planning Department, deputy head (Vice General Manager) of Henan Power Bureau (河南省電業局), head of Preparation Office of Yuzhou Power Plant (禹州電廠), Chairman of Huaneng International Trade-Economics Co., Ltd. (華能國際經濟貿易有限責任公司), Vice General Manager of Huaneng International Power Development Corporation (華能國際電力開發公司), Chairman of Huaneng IT Industry Holding Co., Ltd. (華能信息產業控股有限公司), Chairman of Sichuan Huaneng Hydropower Development Co., Ltd. (四川華能水電開發有限責任公司), and Chairman of Huaneng Lancang River Hydropower Co., Ltd. (華能瀾滄江水電有限責任公司). Mr. Zhang graduated from Tsinghua University, majoring in power system and automation. He also graduated from China Europe International Business School with an MBA degree. Mr. Zhang is a senior engineer.

Mr. ZHAO Keyu

Mr. ZHAO Keyu (趙克宇), aged 46, is a non-executive Director of the Board of the Company. Mr. Zhao joined the Company on 4 August 2010 when he was appointed as a non-executive Director of the Company. He has been the chief of Planning Department of Huaneng Group since December 2009. Mr. Zhao has over 20 years of experience in power industry. Mr. Zhao served as deputy general manager of Huaneng Shandong Power Generation Co., Ltd. (華能山東發電有限公司) from February 2009 to November 2009. Prior to joining Huaneng Group, Mr. Zhao served as secretary to the Communist Party Committee of Shandong Luneng Development Group Co., Ltd. (山東魯能發展集團公司) from July 2007 to December 2008, general manager and chairman of the board of Beijing Deyuan Investment Co., Ltd. (北京德源投資有限公司) from February 2006 to December 2008, HR manager of Shandong Luneng Group Co., Ltd. (山東魯能集團公司) from January 2005 to February 2006, deputy secretary and secretary to the Communist Party Committee of ULTRA-HV Transmission & Distribution Branch Company of Shandong Power Group Corporation (山東電力集團公司超高壓輸變電分公司) from October 2001 to January 2005, deputy secretary to the Youth League Committee of Shandong Power Bureau (山東省電力工業局) from September 1997 to October 2001, secretary to the Youth League Committee, secretary to the Communist Party Branch and deputy chief engineer of Shandong Fangzi Power Plant (山東坊子電廠) from October 1990 to September 1997 and technician in Weifang Power Plant (濰坊電廠) from July 1988 to October 1990. Mr. Zhao graduated in 1988 from Shangdong University of Technology with a bachelor's degree in engineering. He also graduated from Wuhan University with a master's degree in software engineering in 2005. He is a senior political work specialist.

Executive Directors

Mr. LIN Gang (林剛), aged 47, is a substitute executive Director of the Board of the Company. Mr. Lin joined the Company on 23 February, 2012 when he was appointed as a substitute executive Director and President of the Company. Prior to the appointment, Mr. Lin served as a Vice President of Huaneng Power International, Inc. (華能國際電力股份有限公司). Mr. Lin has served successively as the Deputy Chief of Project Management Department of Huaneng International Power Development Corporation (華能國際電力開發公司), Assistant to General Manager and Deputy General Manager of Huaneng Beijing Branch (Thermal Power Plant) (華能北京分公司（熱電廠）), Deputy Manager of General Planning Department, Deputy Manager of Marketing and Sales Department of Huaneng Power International, Inc. (華能國際電力股份有限公司) (in charge of the department), President of Huaneng Northeast Branch (華能東北電力分公司), Manager of Marketing and Sales Department of Huaneng Power International, Inc. (華能國際電力股份有限公司) and Assistant to President of Huaneng Power International, Inc. (華能國際電力股份有限公司). All the companies and plants where Mr. Lin has worked are members of Huaneng Group (華能集團), the controlling shareholder of the Company. Mr. Lin graduated from North China Power University, specializing in thermal power, and holds a master degree in science. Mr. Lin is a senior engineer.

Mr. LIN Gang

Mr. NIU Dongchun (牛棟春), aged 59, is an executive Director of the Board and Vice President of the Company. He was appointed as an executive Director of the Company on 4 August 2010. Mr. Niu joined the Company in October 2007 and served as deputy general manager of HNEIC from October 2007 to August 2010. Prior to joining the Group, Mr. Niu served as director of Eastern Economic Revitalization Office of Inner Mongolia Autonomous Region (內蒙古自治區振興東部經濟工作辦公室) from May 2007 to October 2007, deputy head of Development and Reform Commission of Inner Mongolia Autonomous Region from September 2002 to May 2007, division head of Metallurgy and Building Materials Division, Economic Projection Department of State Planning Commission (國家計委經濟預測司冶金建材處) from July 1998 to September 2002, deputy division chief and division chief of the Steel and Iron Division, Raw Material Department of State Planning Commission (國家計委原材料司鋼鐵處) from August 1991 to July 1998, chief staff member of First Industry Department of State Planning Commission (國家計委工業一司) from June 1988 to March 1990, chief staff member of Heavy Industry Bureau of State Economic and Trade Commission (國家經貿委重工業局) from December 1986 to June 1988 and deputy workshop head of Beijing Special Iron Plant (北京特殊鋼廠) from September 1975 to December 1986. Mr. Niu graduated from Beijing Iron and Steel Institute in 1975. He is a senior engineer.

Mr. NIU Dongchun

Ms. YANG Qing (楊青), aged 43, is an executive Director of the Board, Vice President and Chief Financial Officer of the Company. She was appointed as an executive Director of the Company on 4 August 2010. Ms. Yang joined the Company in May 2002. Ms. Yang was the deputy general manager and chief accountant of HNEIC from November 2008 to August 2010, and the deputy chief accountant and manager of the Financial Department of HNEIC from March 2002 to November 2008. Ms. Yang joined Huaneng Group in 1990 and has over 20 years of financial experience. She has served various financial related positions at Huaneng Group, including, among others, division chief of the First Financial Department from July 2000 to April 2002, deputy division chief of the Financial Department from April 1995 to July 2000, assistant accountant and accountant from August 1992 to September 1995. Ms. Yang graduated from Central University of Finance & Economics (previously known as Central Institute of Finance and Banking) with a bachelor's degree in economics in 1990. She also graduated from the School of Finance of Renmin University of China with a master's degree in economics in 2002. She is a senior accountant.

Ms. YANG Qing

Mr. HE Yan

Mr. HE Yan (何焱), aged 47, is an executive Director of the Board and Vice President of the Company. He was appointed as an executive Director of the Company on 4 August 2010. Mr. He joined the Company in May 2002. Mr. He was the deputy general manager of HNEIC from November 2008 to August 2010, manager of Construction and Engineering Department of HNEIC from April 2004 to November 2008, and manager of New Energy Department of HNEIC from March 2002 to April 2004. Mr. He joined Huaneng Group in 1992 and served at various managerial positions at Huaneng Group, including, among others, vice manager of Assets Operation Department of HCI from July 2000 to March 2002, manager of First Business Department of Huaneng Consultation Co., Ltd. (華能諮詢公司) from September 1997 to July 2000 and assistant economist and economist of Huaneng Group from September 1992 to September 1997. Prior to joining Huaneng Group, Mr. He worked as a clerk at Planning Department of China Construction First Engineering Bureau (中國建築第一工程局) from July 1991 to September 1992 and a lecturer at Judicial Academy of Judicial Bureau of Hubei Province (湖北省司法廳司法學校) from July 1985 to July 1988. Mr. He graduated from Wuhan University with a master's degree in philosophy in 1991. He is a senior economist.

Independent Non-Executive Directors

Mr. QIN Haiyan

Mr. QIN Haiyan (秦海岩), aged 41, is an independent non-executive Director of the Board of the Company. Mr. Qin joined the Company on 6 August 2010 when he was appointed as an independent non-executive Director of the Company. He is currently the director of China General Certification Center (北京鑒衡認證中心) and the secretary-general of the Wind Power Committee of China Renewable Energy Society (中國可再生能源學會風能專業委員會). He is also the standing director of China Renewable Energy Society, deputy head of the Climatic Resources Application Research Committee of China Meteorological Society (中國氣象學會氣候資源應用研究委員會), deputy secretary-general of the Renewable Energy Committee of China Association of Resources Comprehensive Utilization (中國資源綜合利用協會可再生能源專業委員會) and member of the Technical Committee of National Wind Power Machinery Standardization (全國風力機械標準化技術委員會). Mr. Qin has led over 20 research projects in the area of renewable energies. For example, he was the person-in-charge for the "Analysis of the Development Potential of China's Offshore Wind Power", a project sponsored by World Wildlife Fund from 2009 to 2010, and the person-in-charge for the "Establishment of Certification for Wind Turbines", a project sponsored by the PRC government, World Bank and the Global Environment Facility from 2008 to 2009. Mr. Qin graduated from Shanghai Jiao Tong University with a bachelor's degree in engineering in 1994. He also obtained a master's degree in MBA from Renmin University of China in 2002.

Ms. DAI Huizhu

Ms. DAI Huizhu (戴慧珠), aged 73, is an independent non-executive Director of the Board of the Company. Ms. Dai joined the Company on 6 August 2010 when she was appointed as an independent non-executive Director of the Company. She is currently the senior consultant, professor and Supervisor of Doctorate Students of Renewable Energy Department of China Electric Power Research Institute (中國電力科學研究院新能源研究所). Ms. Dai has over 47 years of experience in the research of electric power in China. She joined China Electric Power Research Institute in 1992 and has served at various positions, including, among others, head of New Energy Power Generation Laboratory, head of Graduate Department and chief engineer of Rural Electrification Research Department. Prior to joining China Electric Power Research Institute, Ms. Dai held various positions at Northeast Institute of Electric Power Engineering (東北電力學院) from 1963 to 1992, including assistant lecturer, lecturer, associate professor, professor, head of Research Section of Electrical Engineering Fundamentals and deputy head of Electric Power Research Institute. As a researcher, Ms. Dai has conducted in-depth studies in the renewable energy and directed many research projects. She was the person-in-charge and participated in the drafting of "Research Report on Electric Power System" as part of the Evaluation of Renewable Energies, a project sponsored by the PRC government, World Bank and Global Environment Facility. In particular, Ms. Dai has led many award-winning research projects in wind power area. Ms. Dai has published a number of research papers within and outside China. Ms. Dai graduated from Tsinghua University majored in electrical engineering in 1963.

Mr. ZHOU Shaopeng (周紹朋), aged 65, is an independent non-executive Director of the Board of the Company. Mr. Zhou joined the Company on 6 August 2010 when he was appointed as an independent non-executive Director of the Company. He is currently a professor and Supervisor of Doctorate Students at Chinese Academy of Governance (國家行政學院). He is also holding various positions in academic institutions and industrial associations and organizations in China. He is currently the vice chairman of Public Economic Research Association (公共經濟研究會), member of the Expert Committee of China Development Bank Corporation, council member of China Federation of Industrial Economics (中國工業經濟聯合會) and standing director of China Enterprise Confederation (中國企業聯合會). He also serves as part-time professor and Supervisor of Doctorate Students at Graduate School of Chinese Academy of Social Sciences (中國社會科學院研究生院) and Renmin University of China (中國人民大學). Prior to joining Chinese Academy of Governance in 1995, Mr. Zhou was a deputy county head of Hulunbuir of Inner Mongolia Autonomous Region from 1994 to 1995, and assistant researcher, associate researcher, researcher, Supervisor of Doctorate Students and head of Enterprise Governance Research Department of Industrial Economics Institute of Chinese Academy of Social Sciences (中國社會科學院工業經濟研究所) from 1981 to 1993. Mr. Zhou was the author or co-author of over 30 academic books and research reports. He has also published over 200 research papers. Mr. Zhou graduated from Beijing Mechanical Institute (北京機械學院) majored in Industrial Economics in 1970 and graduated from Chinese Academy of Social Sciences with a master's degree in economics in 1982. He also obtained a doctorate degree in economics from the Chinese Academy of Social Sciences in 1989.

Mr. ZHOU Shaopeng

Mr. WAN Kam To (尹錦滔), aged 59, is an independent non-executive Director of the Board of the Company. Mr. Wan joined the Company on August 6, 2010 when he was appointed as an independent non-executive Director of the Company. He currently serves as an independent director of Mindray Medical International Limited (New York Stock Exchange: MR) and RDA Microelectronics, Inc. (NASDAQ: RDA). In addition, he serves as an independent non-executive director at China Resources Land Limited (Hong Kong Stock Exchange: 1109), Dalian Port (PDA) Company Limited (Hong Kong Stock Exchange: 2880, Shanghai Stock Exchange: 601880), Fairwood Holdings Limited (Hong Kong Stock Exchange: 0052) and GreaterChina Professional Services Limited (Hong Kong Stock Exchange: 8193). Mr. Wan was also appointed as an independent non-executive director of Real Gold Mining Limited (Hong Kong Stock Exchange: 0246) on 25 July 2011 and resigned from that position on 19 August 2011. Mr. Wan has over 30 years of experience in auditing and advisory services. He joined PricewaterhouseCoopers in 1975 and served as a partner of PricewaterhouseCoopers from 1992 to 2008. He is a fellow of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Wan graduated from Hong Kong Polytechnic University (previously known as Hong Kong Polytechnic) in 1975 with a Higher Diploma in accountancy.

Mr. WAN Kam To

Supervisors

Mr. HUANG Jian (黃堅), aged 49, is a supervisor of the Company and was appointed on 1 November 2011. Mr. Huang is currently a non-executive director of Huaneng Power International, Inc. (華能國際電力股份有限公司), the Assistant to President of Huaneng Group, the Company's controlling shareholder, the Executive Vice Chairman of Huaneng Capital Services Co., Ltd. (華能資本服務有限公司), the Chairman of Huaneng Hainan Power Ltd. and the Chairman of Huaneng Carbon Assets Management Company. Mr. Huang has served successively as deputy head of Cost and Pricing Office of the Finance Department, head of Pricing General Office of the Finance Department, chief accountant of Beijing Branch and deputy manager of the Finance Department of Huaneng International Power Development Corporation (華能國際電力開發公司). He also served as the deputy chief accountant, chief accountant, Vice President and secretary to the board of directors of Huaneng Power International, Inc., and deputy chief economist and chief of Financial Planning Department of Huaneng Group. Mr. Huang graduated from the accounting department of Institute of Fiscal Science of the Ministry of Finance with a master degree in economics. He is a senior accountant.

Mr. HUANG Jian

Mr. WANG Huanliang

Mr. WANG Huanliang (王煥良), aged 53, is a supervisor of the Company and was appointed on 4 August 2010. He has been the head of Audit Department of Huaneng Group since March 2006. Mr. Wang served as deputy general manager and chief accountant of Huaneng Energy & Communications Holding Co., Ltd. (華能能源交通產業控股有限公司) from August 2001 to March 2006. He was the head of Beihai Port Management Bureau (北海港務局) from November 1999 to July 2002 and vice president and general manager of Beihai Xinli Industrial Co., Ltd. (北海新力實業股份有限公司) from March 1999 to July 2002. Mr. Wang joined Huaneng Group in August 1990 and served at various positions at Huaneng Group, including, among others, deputy manager of the Financial Department from April 1994 to March 1999, deputy division head and division head of the Financial Division of the Financial Department from March 1992 to April 1994. Prior to joining Huaneng Group, Mr. Wang was deputy division head, section chief and accountant of Financial Section of Power Planning and Design Institute of Ministry of Water Resources and Electrical Power (水電部電力規劃設計院) from August 1980 to August 1990 and a teacher at a middle school from February 1975 to September 1978. Mr. Wang graduated from Correspondence School of Renmin University of China in June 1986. He also graduated from Chinese Academy of Social Sciences with a master's degree in currency and banking in April 1998. He is a senior accountant.

Mr. LIANG Zongxin

Mr. LIANG Zongxin (梁宗信), aged 58, is a supervisor of the Company and was appointed on 4 August 2010. He has been the head of the Discipline Inspection Commission of HNEIC since November 2008. Mr. Liang joined Huaneng Group in December 1990 and served at various positions at Huaneng Group, including, among others, division head of Documentation Division of the Office of Huaneng Group from April 2006 to November 2008, division head of Documentation Division of General Manager Service Department from April 1998 to April 2006, division head of Documentation Division of General Manager Department from April 1995 to April 1998, deputy division head of Office Secretariat from April 1993 to April 1995, deputy head of Discipline Inspection Office from January 1992 to April 1993 and discipline inspection officer of Communist Party Committee Office from November 1990 to January 1992. Prior to joining Huaneng Group, Mr. Liang was an army man from November 1972 to August 1986. Mr. Wang graduated from Renmin University of China with college-level degree in 1984. He is an economist.

Senior Management

Mr. LIN Gang	Please refer to his biography under the sub-section headed "—Executive Directors".
Mr. NIU Dongchun	Please refer to his biography under the sub-section headed "—Executive Directors".
Ms. YANG Qing	Please refer to her biography under the sub-section headed "—Executive Directors".
Mr. HE Yan	Please refer to his biography under the sub-section headed "—Executive Directors".

Mr. DING Kun (丁坤), aged 40, has served as a Vice President of the Company since January 2011. Mr. Ding joined the Company in October 1998 as the deputy manager of the Manufacturing Department of one of the subsidiaries, and has served as the chief engineer of the subsidiary from February 2002 to April 2006. From May 2006 to December 2007, Mr. Ding served as the general manager of one of the subsidiaries of HPI. Mr. Ding worked as the director of preparatory bureau of a wind farm of the Company from December 2007 to December 2008, and served as the assistant to the general manager of the Company from December 2008 to January 2011. Prior to joining the Group, Mr. Ding worked in power plants in Yunnan Province from July 1994 to September 1998. Mr. Ding obtained a bachelor's degree in engineering from Beijing University of Agricultural Engineering in 1994 and a master's degree in engineering from Kunming University of Science and Technology in 2009. Mr. Ding is a senior engineer.

Mr. DING Kun

Mr. HU Ying (胡瑛), aged 38, has served as a Vice President of the Company since January 2011. Mr. Hu joined the Company in October 1998 as an engineer of one of the subsidiaries, and has served at various positions at that subsidiary from October 1998 to August 2006, including deputy manager of the Manufacturing Department, deputy general manager and general manager. Mr. Hu worked as the general manager of another subsidiary of the Company from August 2006 to December 2008. He served as the assistant to the general manager of the Company from December 2008 to January 2011. Prior to joining the Group, Mr. Hu worked in power plants in Yunnan Province from July 1994 to September 1998. Mr. Hu obtained an associate degree in power equipment of hydro power station from Changchun Hydro Power College in 1994. Mr. Hu is an engineer.

Mr. HU Ying

Mr. YAN Shusen, aged 45, has been serving as vice general manager of the Company since August, 2011. Before joining the Company, Mr. Yan has served the posts of division head of the Personnel General Division, director of the Office and division head of Division I of the Personnel Services Bureau under the Central Committee of Communist Party of China ("CCCPC") Organization Department during the period from February 2004 to July 2011. For the period from January 2001 to January 2004, Mr. Yan assumed office as cadre member of the Youth Cadre Services Division of Cadre Services Bureau I of the CCCPC Organization Department, a confirmed division-head rank investigation and research fellow and concurrently the vice division head (overseeing works), and thereafter the division head. For the period from July 1993 to December 2000, he was successively a cadre member of the Organization Department of the Party Committee in Peking University, deputy director of the Policy Research Office, deputy head of the Development and Planning Department and concurrently the director of the Undertakings Development and Planning Office. He graduated from Peking University with a doctorate degree in politics in 1998.

Mr. YAN Shusen

Ms. SONG Yuhong

Ms. SONG Yuhong (宋育紅), aged 44, serves as secretary to the Board of the Company. Ms. Song was the manager of the Commerce Department of HNEIC from November 2007 to August 2010, the deputy manager of the Second Project Department of HNEIC from May 2004 to October 2007 and the deputy manager of New Energy Department of HNEIC from April 2002 to April 2004. Ms. Song joined Huaneng Group in July 1990. She was responsible for information management and computer network management of Huaneng Group from July 1992 to March 2002. She was also responsible for technology development of Huaneng South Company (華能南方公司) from July 1990 to June 1992. Ms. Song graduated from Beijing University of Technology with a bachelor's degree in engineering in July 1990. She also graduated from North China Electric Power University with a master's degree in management in June 2001. She is a senior engineer.

Joint Company Secretaries

Ms. SONG Yuhong

Please refer to her biography under the sub-section headed "—Senior Management".

Ms. MOK Ming Wai

Ms. MOK Ming Wai (莫明慧), aged 40, was appointed as the joint company secretary of the Company on 28 March 2011. Ms. Mok is an associate director of KCS Hong Kong Limited, a corporate secretarial and accounting services provider in Hong Kong. She has over 15 years of professional and in-house experience in company secretarial field. Prior to joining KCS Hong Kong Limited, she worked at KPMG Hong Kong. She is a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

Independent Auditor's Report

Independent auditor's report to the shareholders of
Huaneng Renewables Corporation Limited
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Huaneng Renewables Corporation Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 55 to 124, 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, in accordance with section 141 of the Hong Kong Companies Ordinance, 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

19 March 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

(Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
Revenue	4	**3,195,932**	1,768,526
Other net income	5	**682,522**	249,832
Operating expenses			
Depreciation and amortisation		**(1,169,281)**	(633,698)
Personnel costs		**(117,950)**	(79,238)
Repairs and maintenance		**(29,925)**	(27,724)
Administration expenses		**(117,765)**	(96,037)
Other operating expenses		**(92,076)**	(47,320)
		(1,526,997)	(884,017)
Operating profit		**2,351,457**	1,134,341
Finance income		**47,765**	22,227
Finance expenses		**(1,260,124)**	(515,170)
Net finance expenses	6	**(1,212,359)**	(492,943)
Profit before taxation	7	**1,139,098**	641,398
Income tax	8	**(32,277)**	(31,982)
Profit for the year		**1,106,821**	609,416
Other comprehensive income for the year, net of tax			
Exchange difference on translation of financial statements of an overseas subsidiary	12	**(785)**	—
Total comprehensive income for the year		**1,106,036**	609,416
Profit attributable to:			
Shareholders of the Company		**1,023,027**	528,275
Non-controlling interests		**83,794**	81,141
Profit for the year		**1,106,821**	609,416

The notes on pages 65 to 124 form part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011
(Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
Total comprehensive income attributable to:			
Shareholders of the Company		**1,022,242**	528,275
Non-controlling interests		**83,794**	81,141
Total comprehensive income for the year		**1,106,036**	609,416
Basic and diluted earnings per share (RMB cents)	13	**14.06**	9.11

The notes on pages 65 to 124 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011

(Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	14	**36,956,402**	27,802,930
Lease prepayments	15	**102,159**	65,056
Intangible assets	16	**381,390**	394,817
Investment in a jointly controlled entity	18	**85,100**	—
Other non-current assets	19	**3,824,175**	2,690,141
Deferred tax assets	27(b)	**7,149**	12,709
Total non-current assets		**41,356,375**	30,965,653
Current assets			
Inventories		**2,086**	692
Trade debtors and bills receivable	20	**2,010,495**	959,723
Prepayments and other current assets	21	**584,276**	207,711
Tax recoverable	27(a)	**9**	539
Restricted deposits	22	**59,467**	842
Cash at bank and on hand	23	**7,517,988**	1,309,466
Total current assets		**10,174,321**	2,478,973
Current liabilities			
Borrowings	24	**6,758,833**	4,817,600
Obligations under finance leases	25	**283,067**	232,215
Other payables	26	**8,838,884**	6,255,181
Tax payable	27(a)	**17,993**	6,277
Total current liabilities		**15,898,777**	11,311,273
Net current liabilities		**(5,724,456)**	(8,832,300)
Total assets less current liabilities		**35,631,919**	22,133,353
Non-current liabilities			
Borrowings	24	**19,257,069**	13,201,335
Obligations under finance leases	25	**2,384,147**	1,768,411
Retention payables		**1,546,593**	761,768
Deferred income	28	**257,826**	248,746
Deferred tax liabilities	27(b)	**26,843**	34,274
Total non-current liabilities		**23,472,478**	16,014,534

The notes on pages 65 to 124 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2011
(Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
NET ASSETS		**12,159,441**	6,118,819
CAPITAL AND RESERVES	29		
Share capital		**8,446,898**	5,800,000
Reserves		**2,884,621**	(516,114)
Total equity attributable to the shareholders of the Company		**11,331,519**	5,283,886
Non-controlling interests		**827,922**	834,933
TOTAL EQUITY		**12,159,441**	6,118,819

Approved and authorised for issue by the board of directors on 19 March 2012.

Name: **Cao Peixi**
Position: *Chairman*

Name: **Yang Qing**
Position: *Director*

The notes on pages 65 to 124 form part of these financial statements.

Balance Sheet

At 31 December 2011

(Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
Non-current assets			
Property, plant and equipment	14	**363,707**	208,477
Investments in subsidiaries	17	**6,500,974**	5,089,284
Investment in a jointly controlled entity	18	**85,100**	—
Other non-current assets	19	**12,057,790**	8,667,975
Total non-current assets		**19,007,571**	13,965,736
Current assets			
Trade debtors and bills receivable	20	**750**	10,149
Prepayments and other current assets	21	**6,811,291**	3,999,969
Restricted deposits	22	**34,367**	842
Cash at bank and on hand	23	**5,669,629**	325,224
Total current assets		**12,516,037**	4,336,184
Current liabilities			
Borrowings	24	**5,895,783**	3,834,264
Obligations under finance leases	25	**160,058**	157,688
Other payables	26	**2,794,174**	91,364
Tax payable		**3,418**	3,418
Total current liabilities		**8,853,433**	4,086,734
Net current assets		**3,662,604**	249,450
Total assets less current liabilities		**22,670,175**	14,215,186
Non-current liabilities			
Borrowings	24	**12,091,722**	8,745,242
Obligations under finance leases	25	**795,007**	954,111
Deferred income	28	**700**	15,750
Total non-current liabilities		**12,887,429**	9,715,103

The notes on pages 65 to 124 form part of these financial statements.

Balance Sheet

At 31 December 2011
(Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
NET ASSETS		**9,782,746**	4,500,083
CAPITAL AND RESERVES	29		
Share capital		**8,446,898**	5,800,000
Reserves		**1,335,848**	(1,299,917)
TOTAL EQUITY		**9,782,746**	4,500,083

Approved and authorised for issue by the board of directors on 19 March 2012.

Name: **Cao Peixi**
Position: *Chairman*

Name: **Yang Qing**
Position: *Director*

The notes on pages 65 to 124 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011

(Expressed in Renminbi unless otherwise stated)

		Attributable to the shareholders/equity owner of the Company							
	Note	Share capital RMB'000	Paid-in capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2010		–	451,500	1,831,730	12,908	287,077	2,583,215	713,297	3,296,512
Changes in equity for 2010:									
Profit for the year		–	–	–	–	528,275	528,275	81,141	609,416
Other comprehensive income		–	–	–	–	–	–	–	–
Total comprehensive income		–	–	–	–	528,275	528,275	81,141	609,416
Capitalisation upon establishment of the Company	1/29(c)	3,627,604	(451,500)	(3,159,946)	(12,908)	(3,250)	–	–	–
Capital contributions	1	2,172,396	–	–	–	–	2,172,396	86,465	2,258,861
Transfer to reserve fund		–	–	–	2,830	(2,830)	–	–	–
Dividends by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	(45,970)	(45,970)
Balance at 31 December 2010		5,800,000	–	(1,328,216)	2,830	809,272	5,283,886	834,933	6,118,819

The notes on pages 65 to 124 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2011
(Expressed in Renminbi unless otherwise stated)

		Attributable to the shareholders of the Company							
	Note	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2011		5,800,000	(1,328,216)	2,830	–	809,272	5,283,886	834,933	6,118,819
Changes in equity for 2011:									
Profit for the year		–	–	–	–	1,023,027	1,023,027	83,794	1,106,821
Other comprehensive income		–	–	–	(785)	–	(785)	–	(785)
Total comprehensive income		–	–	–	(785)	1,023,027	1,022,242	83,794	1,106,036
Issuance of shares upon public offering, net of issuing expenses	1/29(c)	2,646,898	2,694,693	–	–	–	5,341,591	–	5,341,591
Capital contributions		–	–	–	–	–	–	5,383	5,383
Special distribution to China Huaneng Group	29(b)(ii)	–	–	–	–	(316,200)	(316,200)	–	(316,200)
Dividends by subsidiaries to non-controlling equity owners		–	–	–	–	–	–	(96,188)	(96,188)
Balance at 31 December 2011		8,446,898	1,366,477	2,830	(785)	1,516,099	11,331,519	827,922	12,159,441

The notes on pages 65 to 124 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi unless otherwise stated)

	2011 RMB'000	2010 RMB'000
Cash flows from operating activities		
Profit for the year	**1,106,821**	609,416
Adjustments for:		
Depreciation	**1,149,529**	614,293
Amortisation	**19,752**	19,405
Amortisation of deferred income	**(11,967)**	(11,299)
Net (gain)/loss on disposal of property, plant and equipment	**(11)**	16
Interest expenses on financial liabilities	**1,058,972**	514,007
Foreign exchange differences, net	**193,582**	(719)
Interest income on financial assets	**(43,023)**	(13,274)
Dividend income	**(3,000)**	(3,550)
Income tax	**32,277**	31,982
Others	**1,773**	—
Changes in working capital:		
Increase in inventories	**(1,394)**	(552)
Increase in trade debtors and bills receivable	**(1,026,967)**	(585,447)
Increase in prepayments and other current assets	**(389,209)**	(176,129)
Increase in other payables	**496,611**	276,830
Cash generated from operations	**2,583,746**	1,274,979
PRC income tax paid	**(21,902)**	(14,974)
Net cash from operating activities	**2,561,844**	1,260,005
Cash flows from investing activities		
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	**(7,699,356)**	(10,418,464)
Payments for acquisition of financial assets	**(327,655)**	(32,650)
Government grant received	**42,124**	39,571
Proceeds from disposal of property, plant and equipment	**100**	1,345
Proceeds from repayments of advances	**—**	563,499
Dividends received	**3,000**	3,550
Interest received	**43,023**	13,274
Time deposits	**(67)**	18,305
Others	**151,515**	92,063
Net cash used in investing activities	**(7,787,316)**	(9,719,507)

The notes on pages 65 to 124 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2011
(Expressed in Renminbi unless otherwise stated)

	Note	2011 RMB'000	2010 RMB'000
Cash flows from financing activities			
Net proceeds from issuance of shares under the public offering		**5,402,745**	—
Capital contributions from the shareholders of the Company		**—**	2,172,396
Capital contributions from the non-controlling equity owners		**5,383**	86,465
Proceeds from borrowings		**13,535,867**	11,805,206
Repayment of borrowings		**(5,537,678)**	(4,671,107)
Dividends paid by subsidiaries to non-controlling equity owners		**(82,128)**	(51,320)
Interest paid		**(1,315,913)**	(704,689)
Payment of finance lease obligations		**(367,394)**	(209,766)
Proceeds from sales and leaseback transaction classified as finance lease		**—**	541,000
Others		**(60,555)**	—
Net cash from financing activities		**11,580,327**	8,968,185
Net increase in cash and cash equivalents		**6,354,855**	508,683
Cash and cash equivalents at 1 January		**1,297,771**	789,226
Effect of foreign exchange rate changes		**(146,400)**	(138)
Cash and cash equivalents at 31 December	23	**7,506,226**	1,297,771

Note:

(i) For major non-cash transactions, please refer to note 34.

The notes on pages 65 to 124 form part of these financial statements.

1 Principal activities and organisation

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

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

In June and July 2011, the Company issued an aggregation of 2,646,898,000 H shares after exercise of over-allotment option with a nominal value of RMB1.00 each, at a price of HKD2.50 per H share by way of an initial public offering (the "IPO") to Hong Kong and overseas investors. In connection with the IPO, 264,688,800 domestic state-owned shares of RMB1.00 each owned by Huaneng Group and Huaneng Capital were converted into H shares on a one-for-one basis and transferred to the National Council for Social Security Fund of the PRC. As at 31 December 2011, a total of 2,911,586,800 H shares were listed on The Stock Exchange of Hong Kong Limited ("HKSE").

2 Summary of significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and interpretations promulgated by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on HKSE. 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 2(c) 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 the Group's interest in a jointly controlled entity.

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 or as trading securities (see note 2(g)) are stated at their fair value.

Non-current assets and disposal groups held for sale are stated at the lower of carrying amount and fair value less costs to sell (see note 2(w)).

2 Summary of significant accounting policies (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of the 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.

Judgements 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 3.

(c) 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 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- IFRIC 19, *Extinguishing financial liabilities with equity instruments*

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

IFRIC 19 has not yet had a material impact on the Group's financial statements as these changes will first be effective as and when the Group enters a relevant transaction.

The impacts of other developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities, which provides relief to government-related entities from general disclosure requirements for related party transactions. The disclosures in note 32(c) have been conformed to the amended disclosure requirements.
- *Improvements to IFRSs (2010)* omnibus standard introduces a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in note 30 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.

(d) Functional and presentation currency

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

2 Summary of significant accounting policies (continued)

(e) 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 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 notes 2(n) or (o) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is 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(g)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 2(f)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)).

(f) Jointly controlled entities

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

2 Summary of significant accounting policies (continued)

(f) Jointly controlled entities (continued)

An investment in a jointly controlled entity is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in profit or loss whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

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

Unrealised profits and losses resulting from transactions between the Group and its jointly controlled entity are eliminated to the extent of the Group's interest in the investee, except where 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 ceases to have joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's balance sheet, its investments in the jointly controlled entity are stated at cost less impairment losses (see note 2(k)), unless classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(w)).

(g) 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 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 their 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(t)(iv) and (v).

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(k)).

2 Summary of significant accounting policies (continued)

(g) 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(k)).

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 and loss in accordance with the policy set out in note 2(t)(iv) 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(t)(v). When these investments are derecognised or impaired (see note 2(k)), the cumulative gain or loss is reclassified from equity to profit or loss.

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

(h) Property, plant and equipment

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

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(v)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are 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, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

—	Buildings and structures	8–30 years
—	Wind turbines	20 years
—	Other machinery and equipment	5–30 years
—	Motor vehicles	9 years
—	Furniture, fixtures and others	5–8 years

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

(i) Intangible assets

The Group 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 impairment losses (see note 2(k)).

2 Summary of significant accounting policies (continued)

(i) Intangible assets (continued)

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(k)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

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

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

Both the period and method of amortisation are reviewed annually.

(j) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in 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(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(k). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal 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.

2 Summary of significant accounting policies (continued)

(k) Impairment of assets

(i) Impairment of investments in debt and equity securities and other 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 an adverse effect on the debtor; and

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

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

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

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

— For trade and other current receivables and other financial assets carried at 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.

2 Summary of significant accounting policies (continued)

(k) Impairment of assets (continued)

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

— 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 included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are 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 an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

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

— intangible assets.

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

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of 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 Summary of significant accounting policies (continued)

(k) 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 to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

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

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

(l) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. 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.

(m) 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(k)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(n) Interest-bearing borrowings

Interest-bearing borrowings are 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.

2 Summary of significant accounting policies (continued)

(o) 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(s)(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.

(p) Cash and cash equivalents

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

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

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

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

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are 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.

2 Summary of significant accounting policies (continued)

(r) Income tax (continued)

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.

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 tax levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially 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(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 Summary of significant accounting policies (continued)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(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.

(t) Revenue recognition

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

(i) Sale of electricity

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

(ii) Service concession construction revenue

Revenue relating to construction services under a service concession arrangement is 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.

(iii) Rendering of services

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

(iv) Dividends

Dividend income from unlisted investments is 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.

(v) Interest income

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

2 Summary of significant accounting policies (continued)

(t) Revenue recognition (continued)

(vi) 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 recognised initially as deferred income and consequently are recognised in profit or loss on a systematic basis over the useful life of the asset by way of reduced depreciation expense.

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

(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.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that 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 or sale 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 or sale are interrupted or complete.

2 Summary of significant accounting policies (continued)

(w) Non-current assets held for sale

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

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

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits and financial assets (other than investments in subsidiaries and joint ventures). These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

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

(x) 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.

2 Summary of significant accounting policies (continued)

(x) Related parties (continued)

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

(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 members of the family 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.

3 Critical accounting judgements and estimates in applying the Group's accounting policies

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial 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 judgments about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

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

(a) Impairment losses for bad and doubtful debts

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

(b) Impairment losses of non-current assets

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

3 Critical accounting judgements and estimates in applying the Group's accounting policies (continued)

(c) Recognition of deferred tax assets

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

(d) Depreciation

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

(e) Income tax

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

4 Revenue

Revenue mainly represents the sales of electricity supplied to power grid companies and revenue from rendering of repair and maintenance services on wind farms. The amount of each significant category of revenue recognised during the year is as follows:

	2011 RMB'000	2010 RMB'000
Sales of electricity	**3,160,089**	1,758,556
Rendering of repair and maintenance services	**32,383**	—
Others	**3,460**	9,970
	3,195,932	1,768,526

The Group has a single reportable segment which is wind power segment. As the Group does not have material operations outside the PRC, no geographic segment information is presented. Revenue from the PRC government controlled power grid companies amounted to RMB3,160,089,000 for the year ended 31 December 2011 (2010: RMB1,758,556,000).

5 Other net income

	2011 RMB'000	2010 RMB'000
Government grants		
— CERs income	**483,569**	164,821
— Others	**109,025**	83,443
Net gain/(loss) on disposal of property, plant and equipment	**11**	(16)
Others (note (i))	**89,917**	1,584
	682,522	249,832

Note:

(i) Others in 2011 mainly represented compensations received from wind turbine suppliers for output limitation imposed by grid companies. The output limitation was resulted from certain required improvements to be made by the suppliers on the turbines to ensure the operation safety of the power grid.

6 Finance income and expenses

	2011 RMB'000	2010 RMB'000
Interest income on financial assets	**43,023**	13,274
Foreign exchange gains	**1,742**	5,403
Dividend income from other investment	**3,000**	3,550
Finance income	**47,765**	22,227
Interest on bank and other borrowings wholly repayable within five years	**342,052**	188,870
Interest on others loans and finance charges on obligations under finance leases	**1,153,545**	605,477
Less: interest expenses capitalised into property, plant and equipment and intangible assets	**436,625**	280,340
	1,058,972	514,007
Foreign exchange losses	**195,324**	740
Bank charges and others	**5,828**	423
Finance expenses	**1,260,124**	515,170
Net finance expenses recognised in profit or loss	**(1,212,359)**	(492,943)

The borrowing costs have been capitalised at rates of 5.01% to 7.36% for the year ended 31 December 2011 (2010: 4.77% to 5.45%).

7 Profit before taxation

Profit before taxation is arrived at after charging:

(a) Personnel costs

	2011 RMB'000	2010 RMB'000
Salaries, wages and other benefits	**107,264**	74,143
Contributions to defined contribution retirement plan	**10,686**	5,095
	117,950	79,238

Pursuant to the relevant labour rules and regulations in the PRC, the Group participated in defined contribution retirement schemes (the "Schemes") organised by the relevant local government authorities for its employees. The Group is required to make contributions to the Schemes at 16% to 20% of the salaries of the employees. The local government authorities are responsible for the pension obligations to retired employees. In addition, the Group and its staff participate in a retirement plan managed by Huaneng Group to supplement the above-mentioned Schemes. The Group has no other material obligation to make payments in respect of pension benefits associated with these Schemes and supplementary retirement plan other than the annual contributions described above.

(b) Other items

	2011 RMB'000	2010 RMB'000
Amortisation		
— lease prepayments	**1,898**	1,715
— intangible assets	**17,854**	17,690
Depreciation		
— property, plant and equipment	**1,149,529**	614,293
Auditors' remuneration		
— audit services	**9,900**	740
— other services	**3,100**	—
Operating lease charges: minimum lease payments		
— hire of properties	**11,708**	5,431
Cost of inventories	**31,225**	26,362

8 Income tax in the consolidated statement of comprehensive income

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

	2011 RMB'000	2010 RMB'000
Current tax		
Provision for the year	31,820	14,940
— PRC (note (i))	31,511	14,940
— Hong Kong profits tax (note (ii))	309	—
Under-provision in respect of prior years	2,328	—
	34,148	14,940
Deferred tax		
Origination and reversal of temporary differences (note 27(b))	(1,871)	17,042
	32,277	31,982

Notes:

(i) The provision for income tax of the Group is calculated based on a statutory rate of 25% of the assessable profit of the Group, except for certain subsidiaries of the Group which are tax exempted or taxed at preferential rates, as determined in accordance with the relevant PRC income tax rules and regulations for the year ended 31 December 2011 and 2010.

(ii) Huaneng Renewables (Hong Kong) Limited, a subsidiary of the Group incorporated in Hong Kong in 2011, is subject to Hong Kong profits tax which is calculated at 16.5% of its estimated assessable profit for the year.

8 Income tax in the consolidated statement of comprehensive income (continued)

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

	2011 RMB'000	2010 RMB'000
Profit before taxation	**1,139,098**	641,398
Applicable tax rate	**25%**	25%
Notional tax on profit before taxation	**284,775**	160,350
Tax effect of non-deductible expenses	**2,031**	973
Tax effect of non-taxable income	**(750)**	(887)
Effect of differential tax rate of certain subsidiaries of the Group (note (i))	**(303,418)**	(155,622)
Tax effect of unused tax losses not recognised	**43,421**	29,826
Tax credits for purchase of domestic equipment	**197**	(4,970)
Under-provision in respect of prior years	**2,328**	—
Others	**3,693**	2,312
Income tax	**32,277**	31,982

Note:

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

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which took effect on 1 January 2008. The Implementation Rules of the New Tax Law ("Implementation Rules") (中華人民共和國企業所得稅法實施條例) and GuoFa [2007] No.39 Notice on the Implementation of the Transitional Preferential Tax Policies ("Circular 39") (國務院關於實施企業所得稅過渡優惠政策的通知) were promulgated by the State Council on 6 December 2007 and 26 December 2007, respectively. Pursuant to Circular 39, certain subsidiaries of the Group that enjoyed the preferential income tax rate are entitled to apply the transitional rates of 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 onwards, respectively. Further, Circular 39 grandfathers the 2+3 tax holidays, a 2-year full exemption followed by a 3-year 50% exemption commencing from their respective first profit-making year after offsetting accumulated tax losses, and requires them to commence on 1 January 2008 should they be not started earlier. Accordingly, certain subsidiaries of the Group can continue to enjoy the 2+3 tax holidays until they expire.

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

9 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	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2011 Total RMB'000
Directors					
Mr. Cao Peixi (Chairman)	–	–	–	–	–
Mr. Zhang Tingke (newly appointed)	–	–	–	–	–
Mr. Huang Long (resigned)	–	–	–	–	–
Mr. Zhao Keyu	–	–	–	–	–
Mr. Zhao Shiming	–	649	199	63	911
Mr. Niu Dongchun	–	649	199	63	911
Ms. Yang Qing	–	562	169	57	788
Mr. He Yan	–	562	169	57	788
Independent non-executive directors					
Mr. Qin Haiyan	140	–	–	–	140
Ms. Dai Huizhu	140	–	–	–	140
Mr. Zhou Shaopeng	140	–	–	–	140
Mr. Wan Kam To	140	–	–	–	140
Supervisors					
Mr. Huang Jian (newly appointed)	–	–	–	–	–
Mr. Xu Ping (resigned)	–	–	–	–	–
Mr. Wang Huanliang	–	–	–	–	–
Mr. Liang Zongxin	–	562	169	57	788
	560	2,984	905	297	4,746

9 Directors’ and supervisors’ emoluments (continued)

	Directors' and Supervisors' fees RMB'000	Salaries allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	2010 Total RMB'000
Directors					
Mr. Cao Peixi (Chairman)	–	–	–	–	–
Mr. Huang Long	–	–	–	–	–
Mr. Zhao Keyu	–	–	–	–	–
Mr. Zhao Shiming	–	564	162	57	783
Mr. Niu Dongchun	–	564	162	57	783
Ms. Yang Qing	–	484	137	50	671
Mr. He Yan	–	484	137	49	670
Independent non-executive directors					
Mr. Qin Haiyan	58	–	–	–	58
Ms. Dai Huizhu	58	–	–	–	58
Mr. Zhou Shaopeng	58	–	–	–	58
Mr. Wan Kam To	58	–	–	–	58
Supervisors					
Mr. Xu Ping	–	–	–	–	–
Mr. Wang Huanliang	–	–	–	–	–
Mr. Liang Zongxin	–	484	137	53	674
	232	2,580	735	266	3,813

10 Individuals with high emoluments

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

	2011	2010
Directors	**5**	5
Non-directors	**—**	—
	5	5

The emoluments of the directors are disclosed in note 9.

11 Profit attributable to shareholders of the Company

The consolidated profit attributable to shareholders of the Company includes a loss of RMB184,346,000 (2010: RMB78,154,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year/period:

	Note	2011 RMB'000	2010 RMB'000
Amount of consolidated profit attributable to shareholders dealt with in the Company's financial statements		**(184,346)**	(78,154)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved during the year/period		**441,618**	103,792
Company's profit for the year/period	29(a)	**257,272**	25,638

Details of dividends paid and payable to equity shareholders of the Company are set out in note 29(b).

12 Other comprehensive income

	2011 RMB'000	2010 RMB'000
Exchange difference on translation of financial statements of an overseas subsidiary		
— Before tax amount	**(785)**	—
— Tax expense	**—**	—
	(785)	—

(Expressed in Renminbi unless otherwise stated)

13 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to the shareholders of the Company for the year ended 31 December 2011 of RMB1,023,027,000 (2010: RMB528,275,000) and the weighted average number of shares in issue during the year ended 31 December 2011 of 7,274,690,000 (2010: 5,800,000,000).

The weighted average number of shares for the year ended 31 December 2010 represented the number of shares issued and outstanding upon the establishment of the Company on 5 August 2010 as if such shares were outstanding throughout the year. The weighted average number of shares for the year ended 31 December 2011 also reflects the issuance of 2,646,898,000 shares in June and July 2011 in connection with the Company's initial public offering (see note 29(c)). The weighted average number of shares in issue is set out below:

	2011 Thousands shares	2010 Thousands shares
Shares issued to Huaneng Group and Huaneng Capital upon formation of the Company on 5 August 2010 as if such shares were outstanding for the entire year in 2010	**5,800,000**	5,800,000
Effects of shares issued in 2011	**1,474,690**	—
	7,274,690	5,800,000

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

14 Property, plant and equipment

(a) The Group

	Buildings and structures RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
At 1 January 2010	470,600	8,988,388	49,817	11,753	5,220,211	14,740,769
Net additions arising from sales and leaseback transaction	–	(5,885)	–	–	–	(5,885)
Other additions	28	263	39,684	13,820	14,051,791	14,105,586
Transfer from construction in progress	627,310	7,533,574	1,866	5,912	(8,168,662)	–
Disposals	–	(2)	(2,948)	(511)	–	(3,461)
Reclassification	102,458	(102,532)	–	74	–	–
Transfer to lease prepayments	(15,300)	–	–	–	–	(15,300)
At 31 December 2010	1,185,096	16,413,806	88,419	31,048	11,103,340	28,821,709
At 1 January 2011	**1,185,096**	**16,413,806**	**88,419**	**31,048**	**11,103,340**	**28,821,709**
Additions	**136**	**497**	**32,926**	**17,277**	**10,264,600**	**10,315,436**
Transfer from construction in progress	**856,423**	**10,848,958**	**–**	**259**	**(11,705,640)**	**–**
Disposals	**–**	**(5,300)**	**(380)**	**(159)**	**–**	**(5,839)**
Reclassification	**(29,230)**	**35,105**	**1,051**	**(6,926)**	**–**	**–**
At 31 December 2011	**2,012,425**	**27,293,066**	**122,016**	**41,499**	**9,662,300**	**39,131,306**
Accumulated depreciation and impairment losses:						
At 1 January 2010	22,205	366,341	12,821	3,521	–	404,888
Depreciation charge for the year	25,934	581,846	10,557	3,066	–	621,403
Transfer out arising from sales and leaseback transaction	–	(5,412)	–	–	–	(5,412)
Written back on disposal	–	(2)	(1,605)	(493)	–	(2,100)
Reclassification	3,377	(3,377)	–	–	–	–
At 31 December 2010	51,516	939,396	21,773	6,094	–	1,018,779
At 1 January 2011	**51,516**	**939,396**	**21,773**	**6,094**	**–**	**1,018,779**
Depreciation charge for the year	**60,496**	**1,079,918**	**13,008**	**5,101**	**–**	**1,158,523**
Written back on disposal	**–**	**(1,978)**	**(291)**	**(129)**	**–**	**(2,398)**
Reclassification	**(1,977)**	**1,967**	**(231)**	**241**	**–**	**–**
At 31 December 2011	**110,035**	**2,019,303**	**34,259**	**11,307**	**–**	**2,174,904**
Net book value:						
At 31 December 2010	**1,133,580**	**15,474,410**	**66,646**	**24,954**	**11,103,340**	**27,802,930**
At 31 December 2011	**1,902,390**	**25,273,763**	**87,757**	**30,192**	**9,662,300**	**36,956,402**

14 Property, plant and equipment (continued)

(b) The Company

	Buildings and structures RMB'000	Generators and related equipment RMB'000	Motor vehicles RMB'000	Furniture, fixtures and others RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:						
Injection to the Company upon establishment	–	5,582	3,552	3,553	666,158	678,845
Additions	–	–	962	753	129,344	131,059
Transfer to subsidiaries	–	–	–	–	(595,890)	(595,890)
At 31 December 2010	–	5,582	4,514	4,306	199,612	214,014
At 1 January 2011	–	5,582	4,514	4,306	199,612	214,014
Additions	–	–	–	7,963	353,491	361,454
Transfer to subsidiaries	–	–	–	–	(204,730)	(204,730)
At 31 December 2011	–	5,582	4,514	12,269	348,373	370,738
Accumulated depreciation and impairment losses:						
Injection to the company upon establishment	–	1,346	2,417	1,121	–	4,884
Depreciation charge for the period	–	139	225	289	–	653
At 31 December 2010	–	1,485	2,642	1,410	–	5,537
At 1 January 2011	–	1,485	2,642	1,410	–	5,537
Depreciation charge for the year	–	198	274	1,022	–	1,494
At 31 December 2011	–	1,683	2,916	2,432	–	7,031
Net book value:						
At 31 December 2010	–	4,097	1,872	2,896	199,612	208,477
At 31 December 2011	–	3,899	1,598	9,837	348,373	363,707

14 Property, plant and equipment (continued)

(b) The Company (continued)

Notes:

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

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

Certain properties and equipment of the Group with an aggregate net book value of RMB2,670,894,000 as at 31 December 2011 (2010: RMB1,997,820,000), are accounted for as finance leases (of which RMB1,124,579,000 are finance leases pursuant to sales and leaseback transactions (2010:RMB1,183,032,000)), with maturity periods of 81 to 120 months.

Certain properties and equipment held under finance leases were pledged by the future electricity revenue of relevant wind power projects of the Group, with an aggregate net book value of RMB1,048,820,000 as at 31 December 2011(2010: RMB1,099,645,000).

(iii) As at 31 December 2011, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties. The directors are of the opinion that the Group is entitled to lawfully occupy or use these properties.

15 Lease prepayments

The Group

	2011 RMB'000	2010 RMB'000
Cost:		
At 1 January	**68,545**	24,441
Additions	**39,275**	44,104
At 31 December	**107,820**	68,545
Accumulated amortisation:		
At 1 January	**3,489**	1,774
Amortisation for the year	**2,172**	1,715
At 31 December	**5,661**	3,489
Net book value:	**102,159**	65,056

Lease prepayments mainly represent prepayments for acquiring rights to use land, which is all located in the PRC, for own use properties with lease period of 20-50 years.

As at 31 December 2011, the Group is in the process of applying for registration of the ownership certificates for certain of its land use right. The directors are of the opinion that the Group is entitled to lawfully occupy or use these land.

16 Intangible assets

The Group

	Concession assets RMB'000	Software and others RMB'000	Total RMB'000
Cost:			
At 1 January 2010	424,817	759	425,576
Additions	—	941	941
At 31 December 2010	424,817	1,700	426,517
At 1 January 2011	**424,817**	**1,700**	**426,517**
Additions	**2,963**	**1,623**	**4,586**
Disposals	**—**	**(87)**	**(87)**
At 31 December 2011	427,780	3,236	431,016
Accumulated amortisation:			
At 1 January 2010	13,749	261	14,010
Charge for the year	17,483	207	17,690
At 31 December 2010	31,232	468	31,700
At 1 January 2011	**31,232**	**468**	**31,700**
Charge for the year	**17,479**	**470**	**17,949**
Written back on disposal	**—**	**(23)**	**(23)**
At 31 December 2011	**48,711**	**915**	**49,626**
Net book value:			
At 31 December 2010	**393,585**	**1,232**	**394,817**
At 31 December 2011	**379,069**	**2,321**	**381,390**

The Group entered into a service concession agreement with local government (the "Grantor") in prior year to construct and operate a wind power plant during the concession period of 25 years. The Group is responsible for construction and maintenance of the wind power plant during the concession period. At the end of the concession period, the Group needs to dismantle the wind power plant or negotiate with the Grantor for a renewal of the service concession agreement.

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

17 Investments in subsidiaries

The Company

	2011 RMB'000	2010 RMB'000
Unlisted investments, at cost	**6,500,974**	5,089,284

As at 31 December 2011, the subsidiaries of the Company, all of which are unlisted limited liability companies, were listed as follows:

	Name of the Company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
1	Huaneng Shantou Nan'ao Wind Power Company Limited 華能汕頭南澳風力發電有限公司 (note ii)	the PRC	RMB 23,000,000	52%	Wind power generation
2	Huaneng Shantou Wind Power Company Limited 華能汕頭風力發電有限公司 (note ii)	the PRC	RMB 194,190,000	50%	Wind power generation
3	HNEEP-CLP Changdao Wind Power Co., Ltd 華能中電長島風力發電有限公司 (note ii)	the PRC	RMB 99,072,000	55%	Wind power generation
4	HNNE-CLP Weihai Wind Power Company Limited 華能中電威海風力發電有限公司 (note ii)	the PRC	RMB 253,240,000	55%	Wind power generation
5	Huaneng Rongcheng Wind Power Company Limited 華能榮成風力發電有限公司	the PRC	RMB 60,000,000	100%	Wind power generation
6	Huaneng Shouguang Wind Power Company Limited 華能壽光風力發電有限公司	the PRC	RMB 186,730,000	55%	Wind power generation
7	Huaneng Changyi Wind Power Company Limited 華能昌邑風力發電有限公司	the PRC	RMB 160,000,000	100%	Wind power generation
8	Huaneng Weifang Binhai Wind Power Company Limited 華能濰坊濱海風力發電有限公司	the PRC	RMB 90,000,000	100%	Wind power generation
9	Huaneng Lijin Wind Power Company Limited 華能利津風力發電有限公司	the PRC	RMB 50,000,000	100%	Wind power generation
10	Huaneng Dongying Hekou Wind Power Company Limited 華能東營河口風力發電有限公司	the PRC	RMB 320,960,000	100%	Wind power generation
11	Huaneng Laoting Wind Power Company Limited 華能樂亭風力發電有限公司 (note ii)	the PRC	RMB 185,280,000	55%	Wind power generation

(Expressed in Renminbi unless otherwise stated)

17 Investments in subsidiaries (continued)

	Name of the Company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
12	Huaneng Chengde Wind Power Company Limited 華能承德風力發電有限公司	the PRC	RMB 80,000,000	100%	Wind power generation
13	Huaneng Hong Kong Electric Dali Wind Power Company Limited 華能港燈大理風力發電有限公司 (note ii)	the PRC	RMB 150,690,000	55%	Wind power generation
14	Huaneng Eryuan Wind Power Company Limited 華能洱源風力發電有限公司	the PRC	RMB 190,000,000	100%	Wind power generation
15	Huaneng Fuxin Wind Power Company Limited 華能阜新風力發電有限責任公司	the PRC	RMB 1,081,250,000	100%	Wind power generation
16	Huaneng Panjin Wind Power Company Limited 華能盤錦風力發電有限公司	the PRC	RMB 541,080,000	75%	Wind power generation
17	Huaneng Jinzhou Wind Power Company Limited 華能錦州風力發電有限公司	the PRC	RMB 10,000,000	100%	Wind power generation
18	Huaneng Tongliao Wind Power Company Limited 華能通遼風力發電有限公司	the PRC	RMB 1,305,864,000	100%	Wind power generation and relevant services
19	Huaneng Hulunbuir Wind Power Company Limited 華能呼倫貝爾風力發電有限公司 (note ii)	the PRC	RMB 100,000,000	51%	Wind power generation
20	Huaneng Baotou Wind Power Company Limited 華能包頭風力發電有限公司	the PRC	RMB 162,940,700	100%	Wind power generation
21	Huaneng Huhhot Wind Power Company Limited 華能呼和浩特風力發電有限公司	the PRC	RMB 274,241,300	100%	Wind power generation
22	Huaneng Keyouzhongqi Wind Power Company Limited 華能科右中旗風力發電有限公司	the PRC	RMB 337,488,000	100%	Wind power generation
23	Huaneng Tongyu Xinhua Wind Power Company Limited 華能通榆新華風力發電有限公司	the PRC	RMB 40,000,000	100%	Wind power generation
24	Huaneng Xinjiang Santanghu Wind Power Company Limited 華能新疆三塘湖風力發電有限責任公司	the PRC	RMB 135,000,000	100%	Wind power generation
25	Huaneng Ningwu Wind Power Company Limited 華能寧武風力發電有限公司	the PRC	RMB 128,000,000	100%	Wind power generation

(Expressed in Renminbi unless otherwise stated)

17 Investments in subsidiaries (continued)

	Name of the Company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
26	Huaneng New Energy Shanghai Power Company Limited 華能新能源上海發電有限公司	the PRC	RMB 44,000,000	100%	Wind power generation
27	Huaneng Tieling Wind Power Company Limited 華能鐵嶺風力發電有限公司	the PRC	RMB 155,500,000	75%	Wind power generation
28	Huaneng Yuanping Wind Power Company Limited 華能原平風力發電有限公司	the PRC	RMB 40,000,000	100%	Wind power generation
29	Huaneng Tianzhen Wind Power Company Limited 華能天鎮風力發電有限公司	the PRC	RMB 45,000,000	100%	Wind power generation
30	Huaneng Pianguan Wind Power Company Limited 華能偏關風力發電有限公司	the PRC	RMB 72,500,000	100%	Wind power generation
31	Huaneng Hezhang Wind Power Company Limited 華能赫章風力發電有限公司	the PRC	RMB 60,000,000	100%	Wind power generation
32	Huaneng Tieling DaxingWind Power Company Limited 華能鐵嶺大興風力發電有限公司	the PRC	RMB 163,960,000	75%	Wind power generation
33	Huaneng Baicheng Wind Power Company Limited 華能白城風力發電有限公司	the PRC	RMB 60,000,000	100%	Wind power generation
34	Huaneng Yantai Wind Power Company Limited 華能煙台風力發電有限公司	the PRC	RMB 20,000,000	100%	Wind power generation
35	Huaneng Dali Wind Power Company Limited 華能大理風力發電有限公司	the PRC	RMB 60,000,000	100%	Wind power generation
36	Huaneng Weifang Wind Power Company Limited 華能濰坊風力發電有限公司	the PRC	RMB 125,000,000	100%	Wind power generation
37	Huaneng Gaizhou Wind Power Company Limited 華能蓋州風力發電有限公司	the PRC	RMB 20,000,000	100%	Wind power generation
38	Huaneng Raoping Wind Power Company Limited 華能饒平風力發電有限公司	the PRC	RMB 95,000,000	100%	Wind power generation
39	Huaneng Tieling Kaiyuan Wind Power Company Limited 華能鐵嶺開原風力發電有限公司	the PRC	RMB 159,400,000	75%	Wind power generation

(Expressed in Renminbi unless otherwise stated)

17 Investments in subsidiaries (continued)

	Name of the Company	Place of establishment	Registered capital	Percentage of attributable equity interest held directly	Principal activities
40	Huaneng Yangjiang Wind Power Company Limited 華能陽江風力發電有限公司 (note iii)	the PRC	RMB 20,000,000	100%	Wind power generation
41	Huaneng Jimo Wind Power Company Limited 華能即墨風力發電有限公司 (note iii)	the PRC	RMB 20,000,000	100%	Wind power generation
42	Huaneng Weining Wind Power Company Limited 華能威寧風力發電有限公司 (note iii)	the PRC	RMB 20,000,000	100%	Wind power generation
43	Huaneng Dingbian New Energy Power Company Limited 華能定邊新能源發電有限公司 (note iii)	the PRC	RMB 10,000,000	100%	Wind power generation
44	Huaneng Chenbaerhuqi Wind Power Company Limited 華能陳巴爾虎旗風力發電有限公司 (note iii)	the PRC	RMB 20,000,000	100%	Wind power generation
45	Huaneng Manzhouli Wind Power Company Limited 華能滿洲里風力發電有限公司 (note iii)	the PRC	RMB 20,000,000	100%	Wind power generation
46	Huaneng Zhanjiang Wind Power Company Limited 華能湛江風力發電有限公司 (note iii)	the PRC	RMB 10,000,000	100%	Wind power generation
47	Huaneng Xinjiang Qinghe Wind Power Company Limited 華能新疆青河風力發電有限公司 (note iii)	the PRC	RMB 10,000,000	100%	Wind power generation
48	Huaneng Nanhua Wind Power Company Limited 華能南華風力發電有限公司 (note iii)	the PRC	RMB 1,000,000	100%	Wind power generation
49	Huaneng Zhaojue Wind Power Company Limited 華能昭覺風力發電有限公司 (note iii)	the PRC	RMB 1,000,000	100%	Wind power generation
50	Huaneng Renewables (Hong Kong) Limited 華能新能源(香港)有限公司 (note iii)	Hong Kong	HKD 100,000	100%	Investment management

17 Investments in subsidiaries (continued)

Notes:

(i) The English translation of the names is for reference only, except for the subsidiary incorporated in Hong Kong. The official names of these entities are in Chinese.

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

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

18 Investment in a jointly controlled entity

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Unlisted shares, at cost	—	—	85,100	—
Share of net assets	85,100	—	—	—
	85,100	—	85,100	—

The investment in a jointly controlled entity represented the 50% equity interests in Beijing Hua Heng Hai Hui Oceanic Energy Co., Ltd. (北京華恒海慧海洋能有限責任公司) which has a registered capital of RMB170,200,000, is unlisted, was established in the PRC in 2011 and is mainly engaged in the development of oceanic energy.

As the voting rights attached to the equity interests do not allow either the Company or the other equity owner to have the power to govern its financial and operating activities according to its articles of association, the Directors of the Company are of the opinion that the Company and the other equity owner shared joint control over the economic activity of this entity.

18 Investment in a jointly controlled entity (continued)

Summary financial information on the jointly controlled entity:

	2011	
	100 percent RMB'000	Group's effective interest RMB'000
Non-current assets	**89,504**	44,752
Current assets	**106,068**	53,034
Non-current liabilities	**(25,000)**	(12,500)
Current liabilities	**(372)**	(186)
Net assets	**170,200**	85,100
Revenue	**—**	—
Profit	**—**	—

19 Other non-current assets

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Deductible Value-Added Tax ("VAT") (note (i))	**3,308,579**	2,433,559	**—**	—
Unquoted equity investments in non-listed companies, at cost (note (ii))	**221,067**	169,627	**123,675**	72,235
Available-for-sale equity securities: — Listed in Hong Kong (note (iii))	**191,115**	—	**—**	—
Deposits and advances to third parties (note (iv))	**103,414**	86,955	**74,433**	61,714
Loans to subsidiaries (note (v))	**—**	—	**11,859,682**	8,534,026
	3,824,175	2,690,141	**12,057,790**	8,667,975

19 Other non-current assets (continued)

Notes:

(i) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment, which is deductible from output VAT since 1 January 2009.

(ii) The following list contains the unquoted equity investments in non-listed entities as of 31 December 2011, all of which are corporate entities and established in the PRC:

	Name of the Company	Particulars of registered capital RMB'000	Percentage of attributable equity interest	Principal activities
1	China Huaneng Finance Corporation Ltd. (“Huaneng Finance”, 中國華能財務有限責任公司)	5,000,000	1%	Financial services
2	Jilin Zhanyu Wind Power Assets Management Co., Ltd. (吉林省瞻榆風電資產經營管理有限公司)	713,800	12.86%	Management of wind power equipment
3	Neimeng Huhhot Hydro-Power Generation Co., Ltd. (內蒙古呼和浩特抽水蓄能發電有限責任公司)	1,500,000	6.49%	Hydro-power generation utilizing pumped storage technology
4	Huaneng Carbon Asset Management Co., Ltd. (華能碳資產經營有限公司)	50,000	10%	Management and investment of carbon assets

The Company subscribed for its proportionate share of the newly increased registered capital of Huaneng Finance for an amount of RMB30 million in 2011. The balance of investment in Huaneng Finance was RMB51,225,000 as at 31 December 2011 (31 December 2010: RMB21,225,000).

(iii) The available-for-sale equity securities were purchased in December 2011, measured at fair value. As at 31 December 2011, the quoted market price of these equity securities has no change compared to their original purchase price.

(iv) The deposits and advances to third parties are unsecured and interest free. The balance of the Group mainly represented deposits with third parties in connection with the finance lease arrangement in the amount of RMB40,173,000 as at 31 December 2011 (31 December 2010: RMB40,173,000), which are expected to be repaid at the end of the lease period, and funding support amounting to RMB46,250,000 as at 31 December 2011 (31 December 2010: RMB43,800,000), to local grid companies in order to facilitate the construction of the grid network, which the Directors of the Company expect it will be recovered in two to four years.

(v) Loans to subsidiaries were at the rates of 5.49% to 6.98% per annum as at 31 December 2011 (2010: 4.86% to 5.63%). The current portion is recorded in other current assets.

20 Trade debtors and bills receivable

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from third parties	**2,009,995**	949,574	**—**	—
Amounts due from fellow subsidiaries	**500**	10,149	**500**	10,149
Amounts due from subsidiaries	**—**	—	**250**	—
	2,010,495	959,723	**750**	10,149
Less: allowance for doubtful debts	**—**	—	**—**	—
	2,010,495	959,723	**750**	10,149

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

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Current	**2,010,495**	951,931	**750**	2,357
Past due within 1 year	**—**	4,750	**—**	4,750
Past due between 1 to 2 years	**—**	3,042	**—**	3,042
	2,010,495	959,723	**750**	10,149
Less: allowance for doubtful debts	**—**	—	**—**	—
	2,010,495	959,723	**750**	10,149

The Group's trade debtors are mainly wind power electricity sales receivable from local grid companies. Generally, the debtors are due within 15 – 30 days from the date of billing. Certain wind power projects collect part of receivables tariff premium, representing 30% to 60% of total electricity sales, in 2 to 18 months from the date of recognition of sales, as agreed with local grid companies.

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

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

21 Prepayments and other current assets

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
CERs receivable	**501,664**	167,253	**—**	—
Other government grant receivable	**13,772**	8,304	**—**	—
Loans to subsidiaries (note (i))	**—**	—	**5,046,345**	3,796,525
Advances to subsidiaries (note (i))	**—**	—	**1,749,943**	188,319
Amounts due from fellow subsidiaries	**5,181**	—	**—**	—
Dividends receivable from subsidiaries	**—**	—	**10,894**	—
Staff advance	**4,712**	3,982	**609**	1,313
Deposits	**6,524**	8,538	**3,200**	6,020
Prepayments	**926**	1,126	**—**	—
Other debtors	**52,315**	19,326	**300**	7,792
	585,094	208,529	**6,811,291**	3,999,969
Less: allowance for doubtful debts	**818**	818	**—**	—
	584,276	207,711	**6,811,291**	3,999,969

Note:

(i) Loans to subsidiaries were at the rates of 4.86% to 7.87% per annum as at 31 December 2011 (2010: 4.59% to 5.63%). Advances to subsidiaries are unsecured, interest free and have no fixed repayment terms.

Impairment losses in respect of prepayments and other current asset are recorded using an allowance account.

The Group's prepayments and other current assets of RMB818,000 as at 31 December 2011 (2010: RMB818,000) were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognised. The Group does not hold any collateral over these balances.

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

22 Restricted deposits

Restricted deposits mainly represent bank deposits in temporary bank accounts opened for entities to be established and pending for capital verification and cash pledged as tender bonds for wind power projects. These restricted deposits are expected to be released within one year.

23 Cash at bank and on hand

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash on hand	**804**	576	**76**	149
Cash at bank and other financial institutions	**7,517,184**	1,308,890	**5,669,553**	325,075
	7,517,988	1,309,466	**5,669,629**	325,224
Representing:				
— Cash and cash equivalents	**7,506,226**	1,297,771	**5,669,629**	325,224
— Time deposits with original maturity over three months	**11,762**	11,695	**—**	—
	7,517,988	1,309,466	**5,669,629**	325,224

24 Borrowings

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

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Bank and other loans				
— Secured	**2,133,179**	2,355,656	**2,011,479**	2,248,955
— Unsecured	**19,517,723**	11,693,483	**11,976,026**	7,130,551
	21,650,902	14,049,139	**13,987,505**	9,379,506
Less: Current portion of long-term borrowings — Bank and other loans	**2,393,833**	847,804	**1,895,783**	634,264
	19,257,069	13,201,335	**12,091,722**	8,745,242

As at 31 December 2011, the Group's bank loans guaranteed by Huaneng Group amounted to RMB24,300,000 (2010: RMB26,863,000).

24 Borrowings (continued)

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

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Bank and other loans (unsecured)	**4,365,000**	3,969,796	**4,000,000**	3,200,000
Current portion of long-term borrowings — Bank and other loans	**2,393,833**	847,804	**1,895,783**	634,264
	6,758,833	4,817,600	**5,895,783**	3,834,264

(c) The effective interest rates per annum on borrowings are as follows:

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Long-term (including current portion)				
Bank and other loans	**1%(note (i)), 4.86%~7.40%**	1%(note (i)), 4.86%~5.63%	**4.86%~6.98%**	4.86%~5.63%
Short-term (excluding current portion of long-term borrowings)				
Bank and other loans	**5.90%~7.87%**	4.59%~5.00%	**5.90%~7.87%**	4.59%~5.00%

Note:

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

24 Borrowings (continued)

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

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	**2,393,833**	847,804	**1,895,783**	634,264
After 1 year but within 2 years	**2,593,391**	1,654,320	**1,759,361**	1,242,166
After 2 years but within 5 years	**5,859,736**	4,407,864	**3,634,657**	3,015,702
After 5 years	**10,803,942**	7,139,151	**6,697,704**	4,487,374
	21,650,902	14,049,139	**13,987,505**	9,379,506

25 Obligations under finance leases

The Group and the Company had obligations under finance leases repayable as follows:

(a) The Group

	2011		2010	
	Present value of the minimum lease payments	Total minimum lease payments	Present value of the minimum lease payments	Total minimum lease payments
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	**283,067**	**433,987**	232,215	334,552
After 1 year but within 2 years	**348,451**	**494,872**	259,508	353,457
After 2 years but within 5 years	**1,128,886**	**1,426,935**	872,474	1,060,372
After 5 years	**906,810**	**1,040,125**	636,429	696,629
	2,384,147	**2,961,932**	1,768,411	2,110,458
	2,667,214	**3,395,919**	2,000,626	2,445,010
Less: total future interest expense		**728,705**		444,384
Present value of finance lease obligations		**2,667,214**		2,000,626

25 Obligations under finance leases (continued)

(b) The Company

	2011 Present value of the minimum lease payments RMB'000	2011 Total minimum lease payments RMB'000	2010 Present value of the minimum lease payments RMB'000	2010 Total minimum lease payments RMB'000
Within 1 year	**160,058**	**211,000**	157,688	211,742
After 1 year but within 2 years	**170,379**	**215,589**	161,893	212,196
After 2 years but within 5 years	**532,983**	**601,353**	544,152	636,588
After 5 years	**91,645**	**95,145**	248,066	260,922
	795,007	**912,087**	954,111	1,109,706
	955,065	**1,123,087**	1,111,799	1,321,448
Less: total future interest expense		**168,022**		209,649
Present value of finance lease obligations		**955,065**		1,111,799

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

26 Other payables

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
Payables for acquisition of property, plant and equipment and intangible assets	**4,864,547**	5,083,427	**—**	—
Retention payable (note (i))	**1,187,787**	1,045,711	**—**	—
Bills payable	**2,228,289**	—	**2,189,712**	—
Dividends payable (note (ii))	**330,259**	—	**316,200**	—
Amounts due to (note (iii))				
— subsidiaries	**—**	—	**223,556**	41,766
— fellow subsidiaries	**25,855**	18,073	**15,451**	18,073
— jointly controlled entity (note 28)	**22,500**	—	**22,500**	—
Payables for staff related costs	**32,074**	36,569	**1,898**	10,294
Payables for other taxes	**46,887**	28,684	**6,000**	1,637
Interest payable	**59,854**	19,699	**5,390**	—
Other accruals and payables	**40,832**	23,018	**13,467**	19,594
	8,838,884	6,255,181	**2,794,174**	91,364

Notes:

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

(ii) Dividends payable comprises the special distribution to be paid to Huaneng Group (see note 29(b)(ii)) amounting to RMB316,200,000 and dividends to be paid to non-controlling equity owners of subsidiaries.

(iii) Amounts due to subsidiaries, fellow subsidiaries and jointly controlled entity are all unsecured, interest-free and have no fixed terms of repayment.

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

27 Income tax in the consolidated balance sheet

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

The Group

	2011 RMB'000	2010 RMB'000
Net tax payable at 1 January	**5,738**	5,772
Provision for the year (note 8(a))	**31,820**	14,940
Under-provision in respect of prior years (note 8(a))	**2,328**	—
Income tax paid	**(21,902)**	(14,974)
Net tax payable at 31 December	**17,984**	5,738
Representing:		
Tax payable	**17,993**	6,277
Tax recoverable	**(9)**	(539)
	17,984	5,738

(b) Deferred tax assets and liabilities recognised:

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

The Group

Deferred tax assets arising from:	Tax credits for domestic equipment RMB'000	Trial operation income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2010	8,375	7,730	220	16,325
Charged to profit or loss	(3,256)	(360)	—	(3,616)
At 31 December 2010	5,119	7,370	220	12,709
At 1 January 2011	**5,119**	**7,370**	**220**	**12,709**
(Charged)/Credited to profit or loss	**(5,119)**	**(444)**	**3**	**(5,560)**
At 31 December 2011	**—**	**6,926**	**223**	**7,149**

27 Income tax in the consolidated balance sheet (continued)

(b) Deferred tax assets and liabilities recognised: (continued)

Deferred tax liabilities arising from:	Depreciation of fixed assets and amortisation of concession assets RMB'000	Non-deductible costs of fixed assets RMB'000	Total RMB'000
At 1 January 2010	(17,100)	(3,748)	(20,848)
Charged to profit or loss	(850)	(12,576)	(13,426)
At 31 December 2010	(17,950)	(16,324)	(34,274)
At 1 January 2011	**(17,950)**	**(16,324)**	**(34,274)**
Credited to profit or loss	**270**	**7,161**	**7,431**
At 31 December 2011	**(17,680)**	**(9,163)**	**(26,843)**

(c) Deferred tax assets not recognised

The Company did not expect to utilise its tax losses in the future and did not recognise deferred tax assets on tax losses of RMB292,990,000 as at 31 December 2011 (2010: RMB119,304,000).

28 Deferred income

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
At 1 January	**248,746**	234,062	**15,750**	775
Additions	**45,087**	27,910	**7,500**	15,000
Credited to profit or loss	**(13,507)**	(13,226)	**(50)**	(25)
Transfer to other payables	**(22,500)**	—	**(22,500)**	—
At 31 December	**257,826**	248,746	**700**	15,750

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

In 2011, the Company decided to transfer certain government subsidy received in respect of oceanic energy development, amounting to RMB22,500,000, to its jointly controlled entity (note 26).

29 Capital, reserves and dividends

(a) Movements in components of equity

The reconciliation between the opening and closing balances 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/period are set out below:

	Share capital RMB'000	Capital reserve RMB'000	Statutory surplus reserve RMB'000	Retained earnings RMB'000	Total equity RMB'000
Injection upon establishment of the Company	5,800,000	(1,325,555)	—	—	4,474,445
Changes in equity for the period:					
Transfer to reserve fund	—	—	2,830	(2,830)	—
Total comprehensive income for the period	—	—	—	25,638	25,638
At 31 December 2010	5,800,000	(1,325,555)	2,830	22,808	4,500,083
At 1 January 2011	**5,800,000**	**(1,325,555)**	**2,830**	**22,808**	**4,500,083**
Changes in equity for 2011:					
Issuance of shares upon public offering, net of issuing expenses (note 29(c))	**2,646,898**	**2,694,693**	**—**	**—**	**5,341,591**
Special distribution to Huaneng Group (note 29(b)(ii))	**—**	**—**	**—**	**(316,200)**	**(316,200)**
Total comprehensive income for the year	**—**	**—**	**—**	**257,272**	**257,272**
At 31 December 2011	**8,446,898**	**1,369,138**	**2,830**	**(36,120)**	**9,782,746**

(b) Dividends

(i) The directors resolved on 19 March 2012 that no dividend is to be distributed for the year 2011.

(ii) Special distribution

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

Pursuant to the board resolution of the Company on 29 April 2011, the directors resolved to pay the Special Distribution to Huaneng Group amounting to RMB316.2 million. With consent from Huaneng Group, the Company has decided to postpone the payment of Special Distribution to Huaneng Group for no more than 12 months commencing from 10 December 2011.

29 Capital, reserves and dividends (continued)

(c) Share capital

	The Group and the Company 2011 RMB'000	2010 RMB'000
Issued and fully Paid		
5,535,311,200 (2010: 5,800,000,000) domestic state-owned ordinary shares of RMB1.00 each	**5,535,311**	5,800,000
2,911,586,800 H shares of RMB1.00 each	**2,911,587**	—
	8,446,898	5,800,000

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

In June and July 2011, the Company issued an aggregation of 2,646,898,000 H shares with a par value of RMB1.00, at a price of HKD2.50 per H share and 264,688,800 domestic state-owned shares of RMB1.00 each owned by Huaneng Group and Huaneng Capital were converted into H shares in connection with the IPO. For more details, please refer to note 1.

All shareholders are entitled to receive dividends as declared from time to time except for the Special Distribution to Huaneng Group as described in note 29(b)(ii) and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

(d) Nature and purpose of reserves

(i) Capital reserve

Capital reserve includes share premium and other capital reserve.

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

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

(ii) Statutory surplus reserve

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

29 Capital, reserves and dividends (continued)

(d) Nature and purpose of reserves (continued)

(iii) Exchange reserve

The Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations that have functional currency other than the RMB. The reserve is dealt with in accordance with the accounting policies as set out in note 2(u).

(e) Distributability of reserves

According to the Company's Articles of Association, the distributable profits are the lower of the net profit of the year as determined under PRC accounting rules and regulations and the amount determined under IFRSs. At 31 December 2011, the aggregate amount of reserves available for distribution to equity shareholders of the Company was nil.

(f) Capital management

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

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratio of the Group as at 31 December 2011 is 76% (2010: 82%).

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

30 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investment in other entity.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

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

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

The receivables from sales of electricity mainly represent receivables from the provincial power grid companies. The Group has no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 94.5% of the Group's total trade debtors as at 31 December 2011 (2010: 97.8%). For other trade receivables and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the financial statements.

30 Financial risk management and fair values (continued)

(a) Credit risk (continued)

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

(b) Liquidity risk

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

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. In order to repay the borrowings due within one year, the Group negotiates banking facilities and utilises operating cash inflows in its subsidiaries. The Group manages the proportion of its current liabilities with respect to the total liabilities to mitigate the liquidity risk. The directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the year.

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

	Carrying amount RMB'000	Contractual cash flows RMB'000	1 year or less RMB'000	1–2 years RMB'000	2–5 years RMB'000	more than 5 years RMB'000
31 December 2011						
Long-term borrowings (note 24(a))	19,257,069	26,539,029	1,218,215	3,750,147	8,520,249	13,050,418
Short-term borrowings (note 24(b))	6,758,833	6,999,577	6,999,577	–	–	–
Obligations under finance leases (note 25)	2,667,214	3,395,919	433,987	494,872	1,426,935	1,040,125
Retention payables	1,546,593	1,789,540	–	683,699	1,083,830	22,011
Other payables (note 26)	8,838,884	8,838,884	8,838,884	–	–	–
	39,068,593	47,562,949	17,490,663	4,928,718	11,031,014	14,112,554

30 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Group (continued)

	Carrying amount RMB'000	Contractual cash flows RMB'000	1 year or less RMB'000	1–2 years RMB'000	2–5 years RMB'000	more than 5 years RMB'000
31 December 2010						
Long-term borrowings (note 24(a))	13,201,335	17,481,883	707,015	2,329,348	5,948,432	8,497,088
Short-term borrowings (note 24(b))	4,817,600	4,952,018	4,952,018	–	–	–
Obligations under finance leases (note 25)	2,000,626	2,445,010	334,552	353,457	1,060,372	696,629
Retention payables	761,768	821,238	–	243,360	577,878	–
Other payables (note 26)	6,255,181	6,255,181	6,255,181	–	–	–
	27,036,510	31,955,330	12,248,766	2,926,165	7,586,682	9,193,717

The Company

	Carrying amount RMB'000	Contractual cash flows RMB'000	1 year or less RMB'000	1–2 years RMB'000	2–5 years RMB'000	more than 5 years RMB'000
31 December 2011						
Long-term borrowings (note 24(a))	**12,091,722**	**16,412,278**	**752,780**	**2,469,232**	**5,249,741**	**7,940,525**
Short-term borrowings (note 24(b))	**5,895,783**	**6,108,023**	**6,108,023**	**–**	**–**	**–**
Obligations under finance leases (note 25)	**955,065**	**1,123,087**	**211,000**	**215,589**	**601,353**	**95,145**
Other payables (note 26)	**2,794,174**	**2,794,174**	**2,794,174**	**–**	**–**	**–**
	21,736,744	**26,437,562**	**9,865,977**	**2,684,821**	**5,851,094**	**8,035,670**

30 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Company (continued)

	Carrying amount RMB'000	Contractual cash flows RMB'000	1 year or less RMB'000	1–2 years RMB'000	2–5 years RMB'000	more than 5 years RMB'000
31 December 2010						
Long-term borrowings (note 24(a))	8,745,242	11,370,268	467,824	1,683,708	3,977,005	5,241,731
Short-term borrowings (note 24(b))	3,834,264	3,946,771	3,946,771	–	–	–
Obligations under finance leases (note 25)	1,111,799	1,321,448	211,742	212,196	636,588	260,922
Other payables (note 26)	91,364	91,364	91,364	–	–	–
	13,782,669	16,729,851	4,717,701	1,895,904	4,613,593	5,502,653

(c) Interest rate risk

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

The Group regularly reviews and monitors the mix of fixed and variable rate borrowings in order to manage its interest rate risks. During the years ended 31 December 2011 and 2010, however, management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest.

30 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

The following table details the profile of the Group's and the Company's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the balance sheet date. The detailed interest rates and maturity information of the Group's and the Company's borrowings are disclosed in note 24.

The Group

	2011 RMB'000	2010 RMB'000
Net fixed rate borrowings:		
Borrowings	1,324,300	2,166,659
Less: Bank deposits (including restricted deposits)	36,861	11,695
	1,287,439	2,154,964
Net floating rate borrowings:		
Borrowings	24,691,602	15,852,276
Obligations under finance lease	2,667,214	2,000,626
Less: Bank deposits (including restricted deposits)	7,539,790	1,298,037
	19,819,026	16,554,865
Total net borrowings:	21,106,465	18,709,829

The Company

	2011 RMB'000	2010 RMB'000
Net fixed rate borrowings:		
Borrowings	1,300,000	1,900,000
Less: Loans to subsidiaries	1,300,000	1,900,000
Bank deposits (including restricted deposits)	—	—
	—	—
Net floating rate borrowings:		
Borrowings	16,687,505	10,679,506
Obligations under finance lease	955,065	1,111,799
Less: Loans to subsidiaries	15,606,027	10,430,551
Bank deposits (including restricted deposits)	5,703,920	325,917
	(3,667,377)	1,034,837
Total net (deposits)/borrowings:	(3,667,377)	1,034,837

30 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

At 31 December 2011, it is estimated that a general increase/decrease of 100 basis points in interest rates of net floating borrowings, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB143,091,000 (31 December 2010: RMB103,478,000).

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

The estimated 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The sensitivity analysis is performed on the same basis for 2010.

(d) Currency risk

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

(i) Recognised assets and liabilities

Except for CERs sales which were denominated in foreign currencies, substantially all of the revenue-generating operations of the Group are transacted in RMB. In addition, the Group has certain borrowings that are denominated in United States dollars. Due to the increasingly stringent control of foreign exchange settlement in the PRC, the time required to convert the IPO proceeds into RMB is longer than expected and together with the wider fluctuation of the foreign exchange rate in the second half of 2011, the Company incurred foreign exchange losses approximately amounting to RMB145 million in respect of the IPO proceeds in 2011. The Company is making efforts in applying for converting the IPO proceeds in Hong Kong dollar into RMB. Except for such negative effect in 2011, the directors considered that the Group's exposure to foreign currency risk is insignificant.

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

30 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(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 assets or liabilities denominated in a currency other than RMB to which they relate.

The Group

	Exposure to foreign currencies (expressed in RMB)					
	2011			2010		
	HKD RMB'000	USD RMB'000	EUR RMB'000	HKD RMB'000	USD RMB'000	EUR RMB'000
Cash and cash equivalents	**5,050,529**	**11,128**	**1,965**	–	34,903	1,777
Trade debtors	**–**	**–**	**97,469**	–	–	11,278
Other receivables	**1,892**	**–**	**501,664**	–	–	167,253
Short-term borrowings	**–**	**(1,350)**	**–**	–	–	–
Other payables	**(959)**	**–**	**–**	–	–	–
Tax payable	**(308)**	**–**	**–**	–	–	–
Long-term borrowings	**–**	**(22,950)**	**–**	–	(26,863)	–
Net exposure	**5,051,154**	**(13,172)**	**601,098**	–	8,040	180,308

The Company

	Exposure to foreign currencies (expressed in RMB)					
	2011			2010		
	HKD RMB'000	USD RMB'000	EUR RMB'000	HKD RMB'000	USD RMB'000	EUR RMB'000
Cash and cash equivalents	**5,047,076**	**–**	**1,965**	–	–	1,777
Other payables	**(936)**	**–**	**–**	–	–	–
Net exposure	**5,046,140**	**–**	**1,965**	–	–	1,777

30 Financial risk management and fair values (continued)

(d) Currency risk (continued)

(ii) Exposure to currency risk (continued)

The Company (continued)

The followings are HKD, USD and EUR exchange rates to RMB:

	Average rate		Reporting date spot rate	
	2011	2010	2011	2010
HKD	**0.8308**	0.8657	**0.8107**	0.8509
USD	**6.4618**	6.7255	**6.3009**	6.6227
EUR	**8.4845**	9.3018	**8.1625**	8.8065

A 5% strengthening of RMB against the following currencies as at 31 December 2011 and 2010 would have increased/(decreased) the net profit and retained profit by the amount shown below.

	The Group		The Company	
	2011 RMB'000	2010 RMB'000	2011 RMB'000	2010 RMB'000
HKD	**(252,516)**	—	**(252,307)**	—
USD	**355**	(724)	**—**	—
EUR	**(27,768)**	(8,683)	**(98)**	(85)
	(279,929)	(9,407)	**(252,405)**	(85)

A 5% weakening of RMB against the above currencies as at 31 December 2011 and 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2010.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investment classified as available-for-sale equity securities (see note 19(iii)). The Group's listed investment is listed on the HKSE, which is chosen based on its longer term growth potential. The investment is monitored regularly for performance against expectation and assessed together with an assessment of its relevance to the Group's long-term strategic plans.

The directors considered that the Group's and the Company's exposure to equity price risk is insignificant.

30 Financial risk management and fair values (continued)

(f) Fair values

(i) Financial instruments carried at fair value

The amendments to IFRS 7, Financial Instruments: Disclosures require disclosures relating to fair value measurements of financial instruments across three levels of a "fair value hierarchy". The fair value of each financial instrument is 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

At 31 December 2011, the financial instruments of the Group carried at fair value were available-for-sale investment (see note 19(iii)), which fall into Level 1 of the fair value hierarchy described above.

The investments in unquoted equity securities (note 19(ii)) are measured at cost which fair value cannot be measured reliably as these investments in non-listed companies do not have quoted market price in an active market. The Group has no intention to dispose these investments.

(ii) Fair values of financial instruments carried at other than fair value

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

(g) Estimation of fair values

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

(i) Listed securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Interest-bearing borrowings and obligations under finance leases

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

31 Commitments

(a) Capital commitments outstanding at the year end not provided for in the financial statements were as follows:

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted for	**6,736,189**	8,066,459	**211,872**	523,967
Authorised but not contracted for	**12,372,414**	18,322,479	**3,227,880**	3,914,186
	19,108,603	26,388,938	**3,439,752**	4,438,153

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

	The Group		The Company	
	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	**14,268**	5,274	**13,369**	4,671
After 1 year but within 5 years	**14,110**	4,966	**13,333**	4,671
	28,378	10,240	**26,702**	9,342

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

32 Contingent liabilities

(a) Financial guarantees issued

At 31 December 2011, the Company has issued certain guarantees to banks and other financial institutions in respect of bank loans and finance lease arrangement granted to the subsidiaries, amounting to RMB2,151,276,000 (2010: RMB1,366,453,000).

(b) Contingent liabilities in respect of taxes on sales of CERs

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

33 Material related party transactions

(a) Transactions with related parties

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

Apart from those disclosed elsewhere in the financial statements, the principal related party transactions which were carried out in the ordinary course of business are as follows:

	2011 RMB'000	2010 RMB'000
Service provided to		
Fellow subsidiaries	**1,450**	9,970
Service provided by		
China Huaneng R&D Center	**3,050**	1,854
Other fellow subsidiaries (note (i))	**50,514**	22,916
Loan guarantees revoked		
Huaneng Group (note 24(a))	**2,562**	6,787,065
Loans repayment to		
Fellow subsidiaries	**–**	1,400,000
Interest expenses		
Fellow subsidiaries	**–**	31,391
Net deposit in/(withdrawal from)		
Huaneng Finance	**245,000**	(681,543)
Interest income		
Huaneng Finance	**–**	9,937
Working capital received from		
Fellow subsidiaries	**–**	563,499

Note:

(i) Service provided by other fellow subsidiaries mainly comprised property insurance services provided by Alltrust Insurance Company of China Limited (永誠保險股份有限公司), technical services provided by Xi'an Thermal Power Research Institute Co., Ltd. (西安熱工研究院有限公司) and property lease services provided by Xinsheng Property Management Co., Ltd. (新升物業管理公司).

(b) Outstanding balances with related parties

The deposits placed with a fellow subsidiary, Huaneng Finance, amounted to RMB245,000,000 as at 31 December 2011 (2010: nil). Details of the other outstanding balances with related parties are set out in notes 19, 20, 21, 24 and 26.

33 Material related party transactions (continued)

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

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

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

— Sales of electricity;

— Depositing and borrowing money; and

— Purchase of materials and receiving construction work services.

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

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

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

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

(d) Commitments with related parties

Commitments with related parties outstanding at the year end not provided for in the financial statements were as follows:

	2011 RMB'000	2010 RMB'000 Restated
Services to be provided by related parties	**56,776**	13,087

33 Material related party transactions (continued)

(e) Key management personnel remuneration

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 9, and certain of the highest paid employees as disclosed in note 10, is as follows:

	2011 RMB'000	2010 RMB'000
Salaries and other emoluments	**5,381**	3,186
Discretionary bonus	**904**	958
Retirement scheme contributions	**470**	312
	6,755	4,456

34 Notes to the consolidated cash flow statements

The major non-cash transaction of the Group is set out as follows:

	2011 RMB'000	2010 RMB'000
Acquisition of property, plant and equipment by means of finance lease (including related deductible VAT)	**897,237**	659,336

35 Parent and ultimate holding company

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

(Expressed in Renminbi unless otherwise stated)

36 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. These include the following which may be relevant to the Group:

	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	1 January 2013
Revised IAS 19, Employee benefits	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	1 January 2015
Amendments to IFRS 9, Financial instruments and IFRS 7 Financial instruments: Disclosures — Mandatory effective date and transition disclosures	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 the Group believes that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

37 Subsequent event

There was no material subsequent event subsequent to 31 December 2011.

Corporate Information

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Head Office in the PRC

10-11th Floor

No. 23A Fuxing Road

Haidian District, Beijing, the PRC

Principal Place of Business in Hong Kong

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The Landmark

15 Queen's Road Central

Hong Kong

Company's Website

www.hnr.com.cn

Joint Company Secretaries

Ms. SONG Yuhong

Ms. MOK Ming Wai *(FCIS,FCS)*

Authorized Representatives

Mr. LIN Gang

Ms. MOK Ming Wai *(FCIS,FCS)*

Non-executive Directors

Mr. CAO Peixi *(Chairman)*

Mr. ZHANG Tingke *(Vice Chairman)*

Mr. ZHAO Keyu

Executive Directors

Mr. LIN Gang *(President)*

Mr. NIU Dongchun

Ms. YANG Qing

Mr. HE Yan

Independent Non-executive Directors

Mr. QIN Haiyan

Ms. DAI Huizhu

Mr. ZHOU Shaopeng

Mr. WAN Kam To

Supervisors

Mr. HUANG Jian

Mr. WANG Huanliang

Mr. LIANG Zongxin

Audit Committee

Mr. ZHOU Shaopeng *(Chairman)*

Mr. ZHAO Keyu

Mr. WAN Kam To

Nomination Committee

Mr. CAO Peixi *(Chairman)*

Mr. ZHOU Shaopeng

Mr. QIN Haiyan

Remuneration Committee

Mr. QIN Haiyan *(Chairman)*

Ms. DAI Huizhu

Mr. NIU Dongchun

Corporate Information

Compliance Adviser

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

Hong Kong Legal Advisers

Skadden, Arps, Slate, Meagher & Flom
42/F, Edinburgh Tower
15 Queen's Road Central
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PRC Legal Advisers

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

Auditors

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

KPMG Huazhen
Certified Public Accountants
8th Floor, Office Tower E2
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No. 1 East Chang An Avenue
Beijing, the PRC

H Share Registrar

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

Principal Bankers

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

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

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

Glossary of Technical Terms

"attributable installed capacity" or "attributable capacity under construction"	the aggregate installed capacity or capacity under construction (as the case may be) of our project companies or individual projects under one project company in which we have an interest in proportion to the level of our ownership in each of those companies. It is calculated by multiplying our percentage ownership in each project company in which we have an interest, by its total installed capacity or total capacity under construction (as the case may be)
"availability factor"	(Availability Hours/Physical Hours) x 100%. Availability Hours means the hours when the wind turbine is considered as available to produce power; Physical Hours means the total hours during the availability measurement period
"capacity under construction"	the capacity of our wind farms where construction work on the roads, foundations or electrical infrastructure has commenced
"CDM"	the Clean Development Mechanism, a mechanism provided by Article 12 of the Kyoto Protocol, permitting industrialized countries to finance projects that reduce greenhouse gas emission in developing countries in exchange for emission credits
"CDM EB"	the CDM Executive Board, which supervises the clean development mechanism under the authority and guidance of the Conference of the Parties to the UNFCCC
"CERs"	Certified Emission Reductions, which are carbon credits issued by CDM EB for emission reductions achieved by registered CDM projects and verified by a DOE under the Kyoto Protocol
"consolidated gross power generation" or "consolidated net power generation"	the aggregate gross power generation or net power generation (as the case may be) of our project companies that we fully consolidate in our financial statements for a specified period
"consolidated installed capacity"	the aggregate installed capacity, operational capacity or capacity under construction (as the case may be) of our project companies that are fully consolidated into our consolidated financial statements. It is calculated by including 100% of the installed capacity, operational capacity or capacity under construction of our project companies that we consolidate in our consolidated financial statements and are deemed as our subsidiaries. Since we wholly own or control all the project companies that operate our wind power business, our consolidated installed capacity, consolidated operational capacity or consolidated capacity under construction equals to our total installed capacity, total operational capacity or total capacity under construction, as the case may be
"gross power generation"	for a specified period, the total amount of electricity produced by a power plant in that period, including auxiliary electricity and electricity generated during the construction and testing period
"GW"	unit of power, gigawatt. 1 GW = 1,000 MW
"GWh"	unit of energy, gigawatt-hour. 1 GWh = 1 million kWh. GWh is typically used as a measure for the annual energy production of large power plants

Glossary of Technical Terms

"installed capacity"	the capacity of power generation units or wind turbines that have been completely assembled or erected in the case of wind power. For wind power, installed capacity includes the capacity of wind turbines in testing period
"kWh"	unit of energy, kilowatt-hour. The standard unit of energy used in the electric power industry. One kilowatt-hour is the amount of energy that would be produced by a generator producing one thousand watts for one hour
"Kyoto Protocol"	a protocol to the UNFCCC and became effective on March 21, 1994
"MW"	unit of power, megawatt. 1 MW = 1,000 kW. The installed capacity of power plants is generally expressed in MW
"MWh"	unit of energy, megawatt-hour. 1 MWh = 1,000 kWh
"net power generation"	for a specified period, the total amount of electricity sold to the relevant local grid company by a power plant in that period, which equals to gross power generation less (i) auxiliary electricity and (ii) the electricity generated during the construction and testing period. Sales of electricity generated during the construction and testing period are not included in the revenue of electricity sales, but are offset against the cost of property, plant and equipment
"pipeline projects"	wind or solar power projects that have been identified and reserved for future development pursuant to the investment and development agreements that we entered into with various levels of local government under which we have the exclusive right or priority to develop wind or solar power projects at specified sites with certain estimated capacity. We classify our wind power pipeline projects into three categories — Advanced-stage Projects, Developing-stage Projects and Early-stage Projects, based on their maturity
"renewable energy"	energy generated from sustainable energy sources that are regenerative or, for all practical purposes, cannot be depleted
"ton"	metric ton
"weighted average utilization hours"	the consolidated gross power generation less the electricity generated during the construction and testing period in a specified period divided by the weighted average consolidated operational capacity in the same period

華能新能源股份有限公司
Huaneng Renewables Corporation Limited
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 0958)