The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the company's reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

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June 14, 2012

The Directors
Huadian Fuxin Energy Corporation Limited

CITIC Securities Corporate Finance (HK) Limited
UBS AG, Hong Kong Branch
Merrill Lynch Far East Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Huadian Fuxin Energy Corporation Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended December 31, 2009, 2010 and 2011 (the "Track Record Period"), and the consolidated balance sheets of the Group as of December 31, 2009, 2010 and 2011, and the balance sheet of the Company as of December 31, 2011, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the prospectus of the Company dated June 14, 2012 (the "Prospectus").

The Company was established as a joint stock company with limited liability in the People's Republic of China (the "PRC") on August 19, 2011 as part of the reorganization (the "Reorganization") of Huadian Fuxin Energy Co., Ltd. ("HFEC"), a state-owned enterprise with limited liability, as described in Section A below. HFEC was the holding company of the subsidiaries now comprising the Group prior to the Reorganization. Pursuant to the Reorganization, HFEC was converted into a joint stock company, namely Huadian Fuxin Energy Corporation Limited, i.e. the Company, the details of which are set out in Section A below. The registered office of the Company is located at 25th Floor, Yifa Plaza, No. 111 Wusi Road, Gulou District, Fuzhou, Fujian Province, the PRC.

All companies now comprising the Group have adopted December 31 as their financial year end date. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities established in the PRC. The statutory financial statements of HFEC for each of the years ended December 31, 2009, 2010 and 2011 were audited by Jonten Certified Public Accounts Co., Ltd (中天運會計師事務所), a certified public accounting firm registered in the PRC. Details of the companies comprising the Group that are subject to audit during the Track Record Period and the names of the respective auditors are set out in Section A below.

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below which are in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended December 31, 2009, 2010 and 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRSs issued by the IASB, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Listing Rules, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

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

BASIS OF OPINION

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

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to December 31, 2011.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period, and the state of affairs of the Group as of December 31, 2009, 2010 and 2011, and the state of affairs of the Company as of December 31, 2011.

A BASIS OF PREPARATION

The Company was established in the PRC on August 19, 2011 as a joint stock company with limited liability and with a registered capital of RMB6,000 million as part of the Reorganization of HFEC in preparation for the listing of the Company's shares on the Main Board of the Stock Exchange of Hong Kong Limited (the "HKSE"). The Group is mainly engaged in hydro power, wind power and coal-fired power generation and sale. Prior to the establishment of the Company, HFEC was the holding company of the subsidiaries now comprising the Group. In substance, the Company replaced HFEC as the holding company for HFEC's subsidiaries.

HFEC, formerly named Huadian Fujian Power Co., Ltd., was established on November 30, 2004 as a wholly-owned subsidiary of China Huadian Corporation ("Huadian"). Pursuant to the Reorganization in 2010, HFEC disposed certain assets which do not meet the Group's strategic operation plans to Huadian at nil consideration. These assets include its equity interest of 4% in Huadian Property Co., Ltd. (華電置業有限公司) and other assets. The carrying amount for the above assets as of disposal date was RMB131,291,000. These were recorded as equity transactions in the consolidated statements of changes in equity.

On October 20, 2010, Huadian Fujian Power Co., Ltd. changed its name to HFEC.

On October 29, 2010, Huadian and its subsidiaries injected their 100% equity interests in Huadian New Energy Development Co., Ltd. ("Huadian New Energy") to HFEC, meanwhile, Huadian injected cash of RMB1,000 million to HFEC, for the equity interest of HFEC.

The Company was established as a joint stock company on August 19, 2011. Upon establishment, the Company retained all of HFEC's assets and liabilities by issuing a total of RMB6,000 million ordinary shares to HFEC's equity owners proportional to their equity interest, with a par value of RMB1.00 each.

As there was no change in controlling shareholders, Huadian, before and after the reorganization as set out above, the Financial Information has been prepared as a reorganization of business under common control. Accordingly, the relevant assets and liabilities of the companies comprising the Group have been recognized at historical cost, except for financial instruments classified as trading securities, which are stated at their fair value in accordance with the accounting policies as described in Section C(1).

The consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group as set out in section B(1), B(3) and B(4), respectively include the results of operations of the companies comprising the Group for the Track Record Period (or where the companies were established at a date later than January 1, 2009, for the period from the date of establishment to December 31, 2011), as if the group structure has been in existence throughout the Track Record Period. The consolidated balance sheets as of December 31, 2009, 2010 and 2011 as set out in Section B(2) have been prepared to present the state of affairs of the companies comprising the Group as of the respective dates.

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

As of December 31, 2011, the Company has direct or indirect interest in the following entities, all of which the Company has the power to govern, which are set out below.

				Proportion of ownership interest				Statutory auditors		
	Name of company	Place and date of establishment	Registered capital	Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	2009	2010	2011
			(RMB'000)							
1	Fujian Huadian Electric Power Engineering Co., Ltd. 福建華電電力工程有限公司	the PRC July 12, 1999	226,314	100%	100%	–	Investment holding	(iii)	(iii)	(iii)
2	Fujian Huadian Kemen Power Generation Company Limited 福建華電可門發電有限公司	the PRC September 18, 2003	900,000	100%	100%	–	Coal-fired power generation	(iii)	(iii)	(iii)
3	Fujian Mianhuatan Hydropower Development Company Limited 福建棉花灘水電開發有限公司 *(note ii)*	the PRC November 17, 1995	800,000	60%	60%	–	Hydropower generation	(iii)	(iii)	(iii)
4	Mindong Hydropower Development Company Limited 閩東水電開發有限公司 *(note ii)*	the PRC March 7, 1997	250,405	51%	51%	–	Hydropower generation	(iii)	(iii)	(iii)
5	Fujian Huadian Shaowu Power Generation Company Limited 福建華電邵武發電有限公司 *(note ii)*	the PRC March 29, 2000	10,000	60%	60%	–	Coal-fired power generation	(iii)	(iii)	(iii)
6	Fujian Huadian Yong'an Power Generation Company Limited 福建華電永安發電有限公司	the PRC October 23, 1989	563,000	100%	100%	–	Coal-fired power generation	(iii)	(iii)	(iii)
7	Fujian Huadian Zhangping Coal-fired Power Co., Ltd. 福建華電漳平火電有限公司	the PRC November 18, 1991	510,000	100%	100%	–	Coal-fired power generation	(iii)	(iii)	(iii)
8	Fujian Huadian Quanzhou Power Generation Company Limited 華電福建泉州發電有限公司	the PRC August 28, 2007	20,000	51%	51%	–	Power development and investment	(iii)	(iii)	(iii)

	Name of company	Place and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Statutory auditors: 2009	2010	2011
			(RMB'000)							
9	Fujian Jinhu Power Generation Company Limited 福建省金湖電力有限責任公司 *(note ii)*	the PRC October 3, 1996	100,000	48%	–	50%	Hydropower generation	(iii)	(iii)	(iii)
10	Fujian Gaosha Hydropower Company Limited 福建省高砂水電有限公司 *(note ii)*	the PRC September 18, 1997	66,000	62%	–	62%	Hydropower generation	(iii)	(iii)	(iii)
11	Fujian Shaxian Chengguan Hydropower Company Limited 福建省沙縣城關水電有限公司 *(note ii)*	the PRC September 3, 1997	66,000	40%	–	40%	Hydropower generation	(iii)	(iii)	(iii)
12	Fujian Longyan Wan'anxi Hydropower Company Limited 福建省龍岩萬安溪水力發電有限責任公司 *(note ii)*	the PRC March 4, 1998	40,000	41%	–	41%	Hydropower generation	(iii)	(iii)	(iii)
13	Fujian Minxing Hydropower Company Limited 福建閩興水電有限公司	the PRC January 13, 2000	81,000	100%	31%	69%	Hydropower generation	(iii)	(iii)	(iii)
14	Fujian Yong'an Gongchuan Hydropower Company Limited 福建省永安貢川水電站有限公司	the PRC March 12, 1998	50,000	61%	–	61%	Hydropower generation	(iii)	(iii)	(iii)
15	Fujian Huatou Ximen Power Generation Company Limited 福建華投西門發電有限公司	the PRC June 16, 2005	49,000	100%	–	100%	Hydropower generation	(iii)	(iii)	(iii)
16	Huadian New Energy Development Company Limited 華電新能源發展有限公司	the PRC September 17, 2007	2,398,000	100%	100%	–	Investment holding	(iv)	(iv)	(iv)
17	Gansu Huadian Guazhou Wind Power Company Limited 甘肅華電瓜州風力發電有限公司	the PRC January 6, 2009	100,000	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
18	Gansu Huadian Yumen Wind Power Company Limited 甘肅華電玉門風力發電有限公司	the PRC November 9, 2009	50,000	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
19	Huadian Jilin Da'an Wind Power Company Limited 華電吉林大安風力發電有限公司	the PRC March 4, 2009	95,020	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
20	Inner Mongolia Huadian Huitengxile Wind Power Company Limited 內蒙古華電輝騰錫勒風力發電有限公司	the PRC September 6, 2005	408,000	100%	–	100%	Wind power generation	(iii)	(iii)	(iii)
21	Inner Mongolia Huadian Bayin Wind Power Company Limited 內蒙古華電巴音風力發電有限公司	the PRC December 19, 2008	10,000	100%	–	100%	Wind power generation	(iii)	(iii)	(iii)
22	Inner Mongolia Huadian Hongnijing Wind Power Company Limited 內蒙古華電紅泥井風力發電有限公司	the PRC July 7, 2009	40,000	100%	–	100%	Wind power generation	(iii)	(iii)	(iii)

	Name of company	Place and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Statutory auditors: 2009	2010	2011
			(RMB'000)							
23	Inner Mongolia Huadian Wutaohai Wind Power Company Limited 內蒙古華電烏套海風電有限公司	the PRC April 29, 2009	20,000	100%	–	100%	Wind power generation	(iii)	(iii)	(iii)
24	Inner Mongolia Huadian Jieji Wind Power Company Limited 內蒙古華電街基風電有限公司	the PRC May 19, 2009	75,000	100%	–	100%	Wind power generation	(iii)	(iii)	(iii)
25	Xinjiang Huadian Xiaocaohu Wind Power Company Limited 新疆華電小草湖風力發電有限責任公司	the PRC March 31, 2007	90,000	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
26	Xinjiang Huadian Bu'erjin Wind Power Company Limited 新疆華電布爾津風電有限公司	the PRC May 8, 2009	38,000	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
27	Xinjiang Huadian Caohu Wind Power Company Limited 新疆華電草湖風電有限公司	the PRC May 13, 2009	40,000	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
28	Huadian Tieling Wind Power Company Limited 華電鐵嶺風力發電有限公司	the PRC March 9, 2009	97,500	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
29	Huadian Tangyuan Wind Power Company Limited 華電湯原風力發電有限公司	the PRC June 17, 2009	75,000	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
30	Hunan Huadian Chenzhou Wind Power Company Limited 湖南華電郴州風力發電有限公司	the PRC June 11, 2009	25,000	100%	–	100%	Wind power generation	(iv)	(iv)	(iv)
31	Zhoushan Huadian Wind Power Company Limited 舟山華電風力發電有限公司	the PRC January 21, 2010	25,000	100%	–	100%	Wind power generation	(v)	(iv)	(iv)
32	Huadian (Fuqing) Wind Power Company Limited 華電(福清)風電有限公司	the PRC August 18, 2009	35,000	100%	–	100%	Wind power generation	(iii)	(iii)	(iii)
33	Huadian Jilin Shuangliao Wind Power Company Limited 華電吉林雙遼風力發電有限公司	the PRC August 25, 2009	9,650	98%	–	98%	Wind power generation	(iv)	(iv)	(iv)
34	Huadian Jiayuguan Solar Power Company Limited 華電嘉峪關太陽能發電有限公司	the PRC May 14, 2010	20,000	80%	–	80%	Solar power generation	(v)	(iv)	(iv)
35	Hebei Huadian Shangyi Wind Power Company Limited 河北華電尚義風力發電有限公司	the PRC May 19, 2009	142,860	70%	–	70%	Wind power generation	(iv)	(iv)	(iv)
36	Inner Mongolia Huadian Meiguiying Wind Power Company Limited 內蒙古華電玫瑰營風力發電有限公司	the PRC July 23, 2009	158,000	62%	–	62%	Wind power generation	(iii)	(iii)	(iii)
37	Inner Mongolia Huadian Qintian Wind Power Company Limited 內蒙古華電秦天風電有限公司	the PRC December 9, 2009	10,000	90%	–	90%	Wind power generation	(iii)	(iii)	(iii)

	Name of company	Place and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Statutory auditors: 2009	2010	2011
			(RMB'000)							
38	Shanxi Huadian Guangling Wind Power Company Limited 山西華電廣靈風力發電有限公司 *(note ii)*	the PRC May 26, 2009	140,000	60%	–	60%	Wind power generation	(iv)	(iv)	(iv)
39	Huadian Hulin Wind Power Company Limited 華電虎林風力發電有限公司	the PRC May 30, 2008	87,400	82%	–	82%	Wind power generation	(iv)	(iv)	(iv)
40	Shanghai Huadian Solar Power Company Limited 上海華電太陽能發展有限公司	the PRC June 5, 2009	8,000	51%	–	51%	Solar power generation	(iv)	(iv)	(iv)
41	Huadian Shangde Dongtai Solar Power Company Limited 華電尚德東台太陽能發電有限公司	the PRC November 26, 2009	60,000	90%	–	90%	Solar power generation	(iv)	(iv)	(iv)
42	Hubei Huadian Longgan Lake Biogas Power Company Limited 湖北華電龍感湖沼氣發電有限公司	the PRC July 13, 2009	8,000	86%	–	86%	Biogas power generation	(iv)	(iv)	(iv)
43	Huadian Baoqing Wind Power Company Limited 華電寶清風力發電有限公司	the PRC March 8, 2010	5,000	100%	–	100%	Wind power generation	(v)	(iv)	(iv)
44	Huadian Jilin Gongzhuling Wind Power Company Limited 華電吉林公主嶺風力發電有限公司	the PRC March 25, 2010	1,000	100%	–	100%	Wind power generation	(v)	(iv)	(iv)
45	Gansu Huadian Jingtai Wind Power Company Limited 甘肅華電景泰風力發電有限公司	the PRC July 9, 2010	35,000	100%	–	100%	Wind power generation	(v)	(iv)	(iv)
46	Huadian Weihai Wind Power Company Limited 華電威海風力發電有限公司	the PRC February 25, 2010	5,000	80%	–	80%	Wind power generation	(v)	(iv)	(iv)
47	Guangdong Huadian Qianshan Wind Power Company Limited 廣東華電前山風力發電有限公司	the PRC April 20, 2010	20,000	100%	–	100%	Wind power generation	(v)	(iv)	(iv)
48	Jiangsu Huadian Guanyun Wind Power Company Limited 江蘇華電灌雲風力發電有限公司	the PRC February 16, 2006	176,000	51%	–	51%	Wind power generation	(iv)	(iv)	(iv)
49	Inner Mongolia Sansheng Wind Power Company Limited 內蒙古三勝風電有限公司	the PRC August 24, 2009	90,000	90%	–	90%	Wind power generation	(v)	(iii)	(iii)
50	Inner Mongolia Huadian Xilin Wind Power Company Limited 內蒙古華電錫林風力發電有限公司	the PRC November 1, 2010	3,000	100%	–	100%	Wind power generation	(v)	(iii)	(iii)
51	Taining Jinhu Holiday Hotel Company Limited 福建省泰寧大金湖假日酒店有限公司	the PRC April 16, 1998	3,000	44%	–	90%	Hotel management	(iii)	(iii)	(iii)
52	Gutian Yuxing Investment Company Limited 古田縣玉興投資有限公司	the PRC April 2, 2003	4,000	100%	–	100%	Investment holding	(iii)	(iii)	(iii)

	Name of company	Place and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Statutory auditors: 2009	2010	2011
			(RMB'000)							
53	Huadian (Xiamen) Energy Company Limited. 華電(廈門)能源有限公司 (原廈門億業能源投資有限公司)	the PRC November 24, 2003	166,258	100%	100%	–	Investment holding	(iii)	(iii)	(iii)
54	Fujian Gutian Shuangkoudu Hydropower Generation Company Limited 福建古田雙口渡水電有限公司	the PRC October 18, 2002	48,500	100%	–	100%	Hydropower generation	(iii)	(iii)	(iii)
55	Zhouningxian Houlongxi Hydropower Generation Company Limited 周寧縣後壟溪水電有限公司 *(note ii)*	the PRC September 30, 2002	60,000	70%	–	70%	Hydropower generation	(iii)	(iii)	(iii)
56	Yong'an Fenghai Power Generation Company Limited 永安豐海發電有限公司	the PRC June 7, 2002	43,000	95%	–	95%	Hydropower generation	(v)	(iii)	(iii)
57	Yong'an Yinhe Power Generation Company Limited 永安銀河電力有限公司	the PRC September 29, 1998	40,000	100%	100%	–	Hydropower generation	(v)	(iii)	(iii)
58	Fujian Jinxi Investment Company Limited 福建省金溪投資有限公司	the PRC February 8, 1996	11,487	100%	–	100%	Hydropower generation	(v)	(iii)	(iii)
59	Nanjing Hengying Power Generation Company Limited 南靖恒盈電力有限公司	the PRC February 26, 2003	3,000	100%	–	100%	Hydropower generation	(v)	(iii)	(iii)
60	Hua'an Huashun Power Generation Company Limited 華安華順電力有限公司	the PRC November 4, 2010	500	100%	–	100%	Hydropower generation	(v)	(iii)	(iii)
61	Longyan Wanye Investment Company Limited 龍岩萬業投資有限公司	the PRC February 19, 2004	10,000	99%	99%	–	Investment holding	(v)	(iii)	(iii)
62	Xiamen Gaoleike Investment Company Limited 廈門高雷克投資有限責任公司	the PRC May 14, 2002	36,000	87%	87%	–	Investment holding	(v)	(iii)	(iii)
63	Sanming Boyuan Investment Company Limited 三明博源投資有限公司	the PRC April 27, 2004	15,000	100%	100%	–	Investment holding	(v)	(iii)	(iii)
64	Gansu Huadian Aksai Wind Power Company Limited 甘肅華電阿克塞風力發電有限公司	the PRC August 20, 2010	35,000	100%	–	100%	Wind power generation	(v)	(iv)	(iv)
65	Inner Mongolia Huadian Bayinhanggai Wind Power Company Limited 內蒙古巴音杭蓋風力發電有限公司	the PRC October 29, 2010	5,000	80%	–	80%	Wind power generation	(v)	(iii)	(iii)
66	Shanxi Huadian Yanggao Wind Power Company Limited 山西華電陽高風力發電有限公司 *(note ii)*	the PRC August 18, 2010	10,000	65%	–	65%	Wind power generation	(v)	(iv)	(iv)
67	Huadian Jilin Tongyu Wind Power Company Limited 華電通榆風力發電有限公司	the PRC September 14, 2010	10,000	100%	–	100%	Wind power generation	(v)	(iv)	(iv)

	Name of company	Place and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Statutory auditors: 2009	2010	2011
			(RMB'000)							
68	Huadian Huachuan Heat Power Company Limited 華電樺川熱力有限公司	the PRC October 25, 2010	11,000	100%	–	100%	Heat power generation	(v)	(iv)	(iv)
69	Gansu Huadian Golmud Solar Power Company Limited 華電格爾木太陽能發電有限公司	the PRC October 8, 2010	15,000	100%	–	100%	Solar power generation	(v)	(iv)	(iv)
70	Gansu Huadian Minqin Power Generation Company Limited 甘肅華電民勤發電有限公司	the PRC November 3, 2010	15,000	100%	–	100%	Solar power generation	(v)	(iv)	(iv)
71	Heilongjiang Huafu Power Investment Company Limited 黑龍江省華富電力投資有限公司	the PRC July 19, 1996	260,000	80%	–	80%	Investment holding	(v)	(iv)	(iv)
72	Harbin ChenHua Power New Technology Development Co., Ltd 哈爾濱辰華電力新技術開發有限責任公司	the PRC August 24, 2000	2,000	80%	–	100%	Provision of wind power technology	(v)	(iv)	(iv)
73	Heilongjiang Huafu Wind Power Mulan Company Limited 黑龍江華富風力發電木蘭有限責任公司	the PRC April 1, 2003	30,000	47%	–	59%	Wind power generation	(v)	(iv)	(iv)
74	Heilongjiang Huafu Wind Power Muling Company Limited 黑龍江華富風力發電穆棱有限責任公司	the PRC September 9, 2003	186,000	49%	–	61%	Wind power generation	(v)	(iv)	(iv)
75	Heilongjiang Dongning Huafu Wind Power Company Limited 黑龍江東寧華富風力發電有限責任公司	the PRC November 18, 2005	126,000	64%	–	80%	Wind power generation	(v)	(iv)	(iv)
76	Harbin Yilan Huafu Wind Power Company Limited 哈爾濱依蘭華富風力發電有限公司	the PRC March 21, 2007	176,000	64%	–	80%	Wind power generation	(v)	(iv)	(iv)
77	Inner Mongolia Huolinguole Huafu Wind Power Company Limited 內蒙古霍林郭勒市華富風電有限公司	the PRC September 17, 2010	10,000	80%	–	100%	Wind power generation	(v)	(iv)	(iv)
78	Bayannao'er Jianjizhongyan Wind Power Company Limited 巴彥淖爾市建技中研風力發電有限責任公司 (原巴彥淖爾市華電蒙中風力發電有限公司) *(note ii)*	the PRC December 3, 2010	1,000	51%	–	51%	Wind power generation	(v)	(iii)	(iii)
79	Maoming Zhong'ao Wind Power Company Limited 茂名市中坳風電有限公司 *(note ii)*	the PRC July 11, 2005	83,288	51%	–	51%	Wind power generation	(v)	(iv)	(iv)
80	Inner Mongolia Fulida Wind Power Company Limited 內蒙古富麗達風力發電有限公司	the PRC September 15, 2010	100,000	80%	–	80%	Wind power generation	(v)	(v)	(iii)

	Name of company	Place and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Statutory auditors: 2009	2010	2011
			(RMB'000)							
81	Huachuan Biomass Cogeneration Heat Power Company Limited 樺川協聯生物質能熱電有限公司	the PRC November 29, 2007	58,000	100%	–	100%	Biomass power generation	(v)	(v)	(iv)
82	Qitaihe Honghao Wind Power Company Limited 七台河宏浩風力發電有限公司 *(note ii)*	the PRC May 24, 2010	33,333	60%	–	60%	Wind power generation	(v)	(v)	(iv)
83	Qitaihe Fengrun Wind Power Company Limited 七台河豐潤風力發電有限公司	the PRC August 16, 2010	5,000	60%	–	60%	Wind power generation	(v)	(v)	(iv)
84	Huadian Nanning New Energy Company Limited 華電南寧新能源有限公司	the PRC April 26, 2011	47,273	55%	–	55%	Distributed energy power generation	(v)	(v)	(iv)
85	Huadian Shandong Rushan New Energy Company Limited 華電山東乳山新能源有限公司	the PRC May 17, 2011	10,000	100%	–	100%	Wind power generation	(v)	(v)	(iv)
86	Inner Mongolia Huadian Hongtu Wind Power Company Limited 內蒙古華電宏圖風力發電有限公司	the PRC May 19, 2011	3,000	100%	–	100%	Wind power generation	(v)	(v)	(iii)
87	Zhoushan Huadian Xiaosha Wind Power Company Limited 舟山華電小沙風力發電有限公司	the PRC March 21, 2011	7,000	100%	–	100%	Wind power generation	(v)	(v)	(iv)
88	Yunnan Huadian Lianhuashan Wind Power Company Limited 雲南華電蓮花山風力發電有限公司	the PRC May 24, 2011	2,000	100%	–	100%	Wind power generation	(v)	(v)	(iv)
89	Yunnan Huadian Duogu Wind Power Company Limited 雲南華電朵古風力發電有限公司	the PRC March 29, 2011	25,000	100%	–	100%	Wind power generation	(v)	(v)	(iv)
90	Jiangxi Huadian Jiujiang Distributed Energy Company Limited 江西華電九江分佈式能源有限公司	the PRC March 25, 2011	20,000	82%	–	82%	Distributed energy power generation	(v)	(v)	(iv)
91	Inner Mongolia Huadian Guanghui Wind Power Company Limited 內蒙古華電光輝風電有限公司	the PRC August 10, 2011	3,000	100%	–	100%	Wind power generation	(v)	(v)	(iii)
92	Gansu Huadian Huanxian Wind Power Company Limited 甘肅華電環縣風力發電有限公司	the PRC August 9, 2011	20,000	100%	–	100%	Wind power generation	(v)	(v)	(iv)
93	Huadian Hebei Qian'an New energy Power Generation Company Limited 華電河北遷安新能源發電有限公司	the PRC August 2, 2011	10,000	65%	–	65%	Distributed energy power generation	(v)	(v)	(iv)
94	Tianjin Huadian Beichen Distributed Energy Company Limited 天津華電北宸分佈式能源有限公司	the PRC August 4, 2011	10,000	65%	–	65%	Distributed energy power generation	(v)	(v)	(iv)
95	Zhangping Yongfu Hydropower Development Company Limited 漳平市永福水電發展有限公司	the PRC July 17, 2002	54,064	60%	–	100%	Hydropower generation	(v)	(v)	(iii)

	Name of company	Place and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Statutory auditors: 2009	2010	2011
			(RMB'000)							
96	Huadian Tao Nan Wind Power Company Limited 華電洮南風力發電有限公司	the PRC November 8, 2011	1,000	90%	–	90%	Wind power generation	(v)	(v)	(iv)
97	Shanghai Huadian Min Hang Energy Company Limited 上海華電閔行能源有限公司	the PRC November 23, 2011	50,000	85%	–	85%	Distributed energy power generation	(v)	(v)	(iv)
98	Huadian Xiamen Distributed Energy Company Limited 華電(廈門)分佈式能源有限公司	the PRC November 8, 2011	20,000	100%	–	100%	Distributed energy power generation	(v)	(v)	(iii)

	Name of company	Place and date of establishment	Registered capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiaries	Principal activities	Statutory auditors: 2009	2010	2011
			(USD'000)							
99	Fujian Huadian Zhangping Power Generation Company Limited 福建華電漳平發電有限公司	the PRC November 6, 1992	16,670	100%	100%	–	Coal-fired power generation	(iii)	(iii)	(iii)

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

(ii) The Company's voting power in these entities attached to the equity interests does not allow the Company to have the power to govern the financial and operating activities of these companies according to the articles of association of these companies. The Company is the biggest equity owner of these companies and no other equity owners individually or in aggregate had the power to control these companies according to the articles of association. Historically, the Company controlled the operation of these entities by appointing senior management, approving annual budget and determining the remuneration of employees, etc. During the Track Record Period, the Company or the Company's subsidiaries 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 companies. The PRC lawyer of the Company confirmed that the concert party agreements are valid under relevant PRC laws (See section headed "History, Reorganization and Corporate Structure" in the Prospectus.). Considering above mentioned factors, the directors are of the opinion that the Company controlled these entities during the Track Record Period. Therefore the financial information of these companies is consolidated by the Company during the Track Record Period (or where the companies were established at a date later than January 1, 2009, for the period from the date of establishment to December 31, 2011).

(iii) Jonten Certified Public Accountants Co., Ltd. (中天運會計師事務所).

(iv) RSM China Certified Public accountants Co. Ltd. (中瑞岳華會計師事務所).

(v) The companies have not yet established or included into the Group for the respective years.

B FINANCIAL INFORMATION

1 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Section C Note	Years ended December 31, 2009	2010	2011
		RMB'000	RMB'000	RMB'000
Revenue	3	7,349,193	8,397,647	7,147,412
Other net income	4	45,844	236,345	305,916
Operating expenses				
Cost of fuel		(2,543,861)	(2,856,681)	(1,930,031)
Cost of substituted electricity		(1,225,081)	(1,048,293)	(1,099,713)
Depreciation and amortization		(978,555)	(1,138,275)	(1,230,776)
Service concession construction costs		–	(193,291)	(43,901)
Personnel costs		(615,525)	(826,519)	(656,420)
Repairs and maintenance		(147,526)	(226,037)	(163,587)
Administration expenses		(184,360)	(196,892)	(221,595)
Other operating expenses		(208,783)	(249,042)	(190,640)
		(5,903,691)	(6,735,030)	(5,536,663)
Operating profit		1,491,346	1,898,962	1,916,665
Finance income		31,878	30,106	70,916
Finance expenses		(944,990)	(984,575)	(1,266,327)
Net finance expenses	5	(913,112)	(954,469)	(1,195,411)
Share of profits less losses of associates and jointly controlled entity		(12,335)	11,598	13,112
Profit before taxation	6	565,899	956,091	734,366
Income tax	7	(123,995)	(157,948)	(95,829)
Profit and total comprehensive income for the year		441,904	798,143	638,537
Profit and total comprehensive income attributable to:				
Equity owners of the Company		385,209	521,109	561,625
Non-controlling interests		56,695	277,034	76,912
Profit and total comprehensive income for the year		441,904	798,143	638,537

The accompanying notes form part of the Financial Information.

2 CONSOLIDATED BALANCE SHEETS

	Section C Note	At December 31, 2009 RMB'000	2010 RMB'000	2011 RMB'000
Non-current assets				
Property, plant and equipment	12	26,933,182	35,967,188	38,307,848
Investment properties	13	–	20,910	20,085
Lease prepayments	14	275,214	328,817	512,142
Intangible assets	15	102,331	610,034	700,338
Investment in associate entities	16	1,067,139	1,412,174	2,174,057
Investment in jointly controlled entity	17	22,350	22,350	22,692
Other investments	18	283,917	473,080	482,300
Other non-current assets	19	564,684	1,207,930	1,720,900
Deferred tax assets	29(b)	93,157	246,288	294,480
Total non-current assets		29,341,974	40,288,771	44,234,842
Current assets				
Inventories	20	243,435	216,480	268,376
Trade debtors and bills receivable	21	1,056,864	1,380,524	1,893,349
Prepayments and other current assets	22	609,148	995,325	1,598,942
Tax recoverable	29(a)	2,095	74,129	80,922
Other investments	18	–	2,397	–
Restricted deposits	23	131,253	58,684	134,804
Cash and cash equivalents	24	1,522,837	2,694,683	1,488,514
Total current assets		3,565,632	5,422,222	5,464,907
Current liabilities				
Borrowings	25	7,014,948	6,996,511	8,572,845
Obligations under finance leases	26	192,034	43,800	219,831
Trade creditors and bills payable	27	768,722	1,377,475	974,919
Other payables	28	3,910,066	6,164,004	7,946,654
Deferred income-current portion	30	2,989	3,225	11,166
Tax payable	29(a)	44,283	132,441	16,243
Total current liabilities		11,933,042	14,717,456	17,741,658
Net current liabilities		(8,367,410)	(9,295,234)	(12,276,751)
Total assets less current liabilities		20,974,564	30,993,537	31,958,091
Non-current liabilities				
Borrowings	25	14,411,404	21,707,414	21,669,460
Obligations under finance leases	26	610,938	262,772	444,457
Deferred income	30	76,253	121,645	197,657
Deferred tax liabilities	29(b)	325,279	431,922	536,662
Total non-current liabilities		15,423,874	22,523,753	22,848,236
NET ASSETS		5,550,690	8,469,784	9,109,855
CAPITAL AND RESERVES	31			
Capital		2,200,000	5,088,889	6,000,000
Reserves		2,074,456	1,751,338	1,462,193
Total equity attributable to the equity owners of the Company		4,274,456	6,840,227	7,462,193
Non-controlling interests		1,276,234	1,629,557	1,647,662
TOTAL EQUITY		5,550,690	8,469,784	9,109,855

The accompanying notes form part of the Financial Information.

3 CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to the equity owners of the Company						
	Capital	Capital reserve	Reserve fund	Retained earnings	Subtotal	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2009	1,800,000	701,255	11,852	349,583	2,862,690	1,207,566	4,070,256
Changes in equity:							
Profit and total comprehensive income for the year	–	–	–	385,209	385,209	56,695	441,904
Capital contributions	400,000	643,036	–	–	1,043,036	41,275	1,084,311
Acquisition of subsidiaries	–	–	–	–	–	46,493	46,493
Acquisition of non-controlling interests	–	–	–	(16,479)	(16,479)	(12,717)	(29,196)
Dividends	–	–	–	–	–	(63,078)	(63,078)
At December 31, 2009	2,200,000	1,344,291	11,852	718,313	4,274,456	1,276,234	5,550,690
At January 1, 2010	2,200,000	1,344,291	11,852	718,313	4,274,456	1,276,234	5,550,690
Changes in equity:							
Profit and total comprehensive income for the year	–	–	–	521,109	521,109	277,034	798,143
Reorganization	1,663,638	(1,663,638)	–	–	–	–	–
Capital contributions	1,225,251	1,104,749	–	–	2,330,000	62,200	2,392,200
Acquisition of subsidiaries	–	–	–	–	–	223,069	223,069
Acquisition of non-controlling interests	–	(135,446)	–	(3,601)	(139,047)	(130,634)	(269,681)
Transfer to reserve fund	–	–	11,090	(11,090)	–	–	–
Dividends	–	–	–	(15,000)	(15,000)	(76,997)	(91,997)
Distribution pursuant to the Reorganization	–	(124,331)	–	(6,960)	(131,291)	–	(131,291)
Others	–	–	–	–	–	(1,349)	(1,349)
At December 31, 2010	5,088,889	525,625	22,942	1,202,771	6,840,227	1,629,557	8,469,784

	Attributable to the equity owners of the Company					Non-	
	Capital	Capital reserve	Reserve fund	Retained earnings	Subtotal	controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2011	5,088,889	525,625	22,942	1,202,771	6,840,227	1,629,557	8,469,784
Changes in equity:							
Profit and total comprehensive income for the year	–	–	–	561,625	561,625	76,912	638,537
Capital contributions	–	–	–	–	–	329,523	329,523
Dividends	–	–	–	–	–	(156,726)	(156,726)
Capitalization upon establishment of the Company	911,111	(433,476)	(22,942)	(454,693)	–	–	–
Disposal of interests in a subsidiary with a loss in control *(note C 2(e))*	–	–	–	–	–	(147,913)	(147,913)
Acquisition of non-controlling interests	–	60,341	–	–	60,341	(83,691)	(23,350)
Transfer to reserve fund	–	–	18,745	(18,745)	–	–	–
At December 31, 2011	6,000,000	152,490	18,745	1,290,958	7,462,193	1,647,662	9,109,855

The accompanying notes form part of the Financial Information.

4 CONSOLIDATED CASH FLOW STATEMENTS

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cash flows from operating activities			
Profit before taxation	565,899	956,091	734,366
Adjustments for:			
Depreciation, impairment, and amortization	1,033,347	1,138,275	1,230,776
Amortization of deferred income	(1,965)	(15,886)	(37,667)
Loss/(gain) on disposal of property, plant and equipment, and lease prepayments	8,422	(8,061)	(13,641)
Interest expenses on financial liabilities	939,763	980,571	1,246,754
Gain on disposal of subsidiary	–	–	(64,239)
Loss on disposal of partial interests in subsidiary with a loss in control	–	–	1,681
Net (gain)/loss on disposal of other investments	(44)	(628)	107
Net gain in fair value change of trading securities	–	(183)	–
Interest income on financial assets	(20,913)	(20,234)	(62,433)
Foreign exchange differences, net	(100)	(2,342)	7,225
Dividend income	(10,821)	(6,719)	(8,112)
Share of profits less losses of associates and jointly controlled entity	12,335	(11,598)	(13,112)
Changes in working capital:			
(Increase)/decrease in inventories	(46,836)	31,072	(53,081)
Increase in trade debtors and bills receivable	(236,165)	(243,804)	(550,966)
Increase in prepayments and other current assets	(329,737)	(44,117)	(581,739)
Increase/(decrease) in trade and other payables	760,340	455,500	(164,062)
Cash generated from operations	2,673,525	3,207,937	1,671,857
Income tax paid	(101,487)	(193,284)	(189,134)
Net cash from operating activities	2,572,038	3,014,653	1,482,723

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cash flows from investing activities			
Payments for acquisition of property, plant and equipment, lease prepayments and intangible assets	(6,815,508)	(6,902,254)	(5,715,457)
Payments for acquisition of financial assets and investments in associates and jointly controlled entity	(698,161)	(540,794)	(648,280)
Payments for acquisition of subsidiaries, net of cash acquired	(516,790)	(693,182)	(279,313)
Net payments on disposal of partial interests in subsidiary with a loss in control	–	–	(7,728)
Proceeds from disposal of property, plant and equipment	10,801	16,673	27,332
Proceeds from disposal of subsidiary, net of cash disposed of	–	–	106,232
Proceeds from repayment of loans and advances	130,086	86,760	–
Proceeds from disposal of other investments	12,157	8,746	2,290
Dividends received	13,941	6,719	50,310
Interest received	31,236	72,623	89,344
Net cash used in investing activities	(7,832,238)	(7,944,709)	(6,375,270)

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cash flows from financing activities			
Capital contributions from the equity owners of the Company	1,043,036	2,330,000	–
Capital contributions from the non-controlling equity owners	41,275	62,200	229,523
Proceeds from borrowings	13,837,621	14,122,381	16,943,468
Government grant received	20,891	61,178	75,527
Proceeds from sales and leaseback transactions classified as finance lease	490,000	–	560,009
Repayment of borrowings	(8,153,988)	(8,218,298)	(12,063,435)
Dividends paid	(64,316)	(96,107)	(181,907)
Cash distribution pursuant to the reorganization	–	(10,145)	–
Interest paid	(1,102,647)	(1,351,576)	(1,755,857)
Payment for acquisition of minority interest	(29,196)	(269,681)	–
Payment of finance lease obligations	(118,018)	(530,392)	(113,725)
Net cash from financing activities	5,964,658	6,099,560	3,693,603
Net increase/(decrease) in cash and cash equivalents	704,458	1,169,504	(1,198,944)
Cash and cash equivalents at beginning of year	818,376	1,522,837	2,694,683
Effect of foreign exchange rate changes	3	2,342	(7,225)
Cash and cash equivalents at end of year	1,522,837	2,694,683	1,488,514

(i) For major non-cash transactions, please refer to note 36 in Section C.

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning on January 1, 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning on January 1, 2011 are set out in note 40.

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

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

(b) Basis of preparation, presentation and measurement

The Financial Information comprises the Company and its subsidiaries and has been prepared using the merger basis of accounting as if the Group had always been existence, as further explained in Section A.

The measurement basis used in the preparation of the Financial Information is the historical cost basis, except that the financial instruments classified as trading securities (see note (h)) are stated at their fair value.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 37.

(e) Going concern

The Financial Information has been prepared assuming the Group will continue as a going concern notwithstanding the net current liabilities of the Group at December 31, 2011 amounting to RMB12,277 million. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Group for the period ending June 30, 2013, the Group will have necessary liquid funds to finance its working capital and capital expenditure requirements for a reasonable period of time (see note 32(b)).

(f) 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 Financial Information from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the Financial Information. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the 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. Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity owner/shareholders of the Company. 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 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 owners of the Company.

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a result gain or loss being recognized in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognized at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)) or, when appropriate, the cost on initial recognition of an investment in an associate or jointly controlled entity (see note 1(g)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(o)).

(g) Associates and jointly controlled entity

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

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

An investment in an associate or a jointly controlled entity is accounted for in the Financial Information under the equity method. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(o)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognized in profit or loss whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognized in the consolidated statement of comprehensive income.

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

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

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognized in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognized as fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 1(h)) or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's balance sheet, its investments in associates and jointly controlled entity are stated at cost less impairment losses (see note 1(o)).

(h) Other investments in debt and equity securities

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

Investments in debt and equity securities are initially stated at cost, which is generally their transaction price. 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 recognized in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognized in profit or loss. The net gain or loss recognized in profit or loss does not include any dividends or interest earned on these investments as these are recognized in accordance with the policies set out in notes 1(y) (v) and (vi).

– Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated at amortised cost less impairment losses (see note 1(o)).

– 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 recognized in the balance sheet at cost less impairment losses (see note 1(o)).

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 recognized 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 recognized directly in profit or loss. Dividend income from these investments is recognized in profit and loss in accordance with the policy set out in note 1(y)(v) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognized in profit or loss in accordance with the policy set out in note 1(y) (vi). When these investments are derecognized or impaired (see note 1(o)), the cumulative gain or loss is reclassified from equity to profit or loss.

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

(i) Business combination for entities under common control

Business combinations arising from transfer of interests in entities that are under the control of the equity owner that controls the Group are accounted for as if the acquisition had occurred at the beginning of the Track Record Period or, if later, at the date that common control was established. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group's equity owner's consolidated financial statements.

Upon transfer of interest in an entity to another entity that are under the control of the equity owner that controls the Group, any difference between the Group's interest in the carrying value of the assets and liabilities and the cost of transfer of interest in the entity is recognized directly in equity.

(j) Investment properties

Investment properties are land and buildings which are owned to earn rental income and/or for capital appreciation.

Investment properties are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 1(o)). Depreciation is calculated to write off the cost less residual value if applicable, using the straight line method over the estimated useful lives of 30 years. Rental income from investment properties is accounted for as described in note 1(y)(iv).

(k) Other property, plant and equipment

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

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

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

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

– Buildings and structures	8-55 years
– Generators and related equipments	4-35 years
– Motor vehicles	6-10 years
– Furniture fixtures and others	5-18 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 at each reporting date and adjusted if appropriate.

(l) Goodwill

Goodwill represents the excess of

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

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 1(o)).

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

(m) Intangible assets (other than goodwill)

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

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

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

– Concession assets	23 years
– Software and others	5-10 years

Both the period and method of amortization are reviewed annually.

(n) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(k). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(o). 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) Sales and leaseback arrangement resulting in finance lease

A sales and leaseback arrangement which results in a finance lease is a means whereby the lessor provides finance to the lessee with the asset as security. To reflect the substance of the transaction, any excess of sales proceeds over the carrying amount of the asset is deferred and amortized as an adjustment to the depreciation of the asset. If the sales proceeds are less than the carrying amount of the asset which indicates that the asset may be impaired, an impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount (see note 1(o)). Any deficit of sales proceeds lower than the carrying amount, in the absence of impairment, is also deferred and amortized as an adjustment to the depreciation of the asset.

(iv) 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 recognized in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

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

(o) 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 amortized cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

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

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

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

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

– For trade and other current receivables and other financial assets carried at amortized cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where 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 recognized, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognized in prior years.

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– investment properties;

– lease prepayments;

– intangible assets;

– other non-current assets; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(p) Lease prepayments

Lease prepayments represent cost of land use rights paid to the PRC's land bureau. Lease prepayments are stated at cost, less accumulated amortization and any impairment losses (see note 1(o)). Amortization is charged to profit or loss from the date of initial recognition on a straight-line basis over the respective periods of the rights which mainly range from 25 years to 50 years.

(q) Inventories

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

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

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

(r) Trade and other receivables

Trade and other receivables are initially recognized at fair value and thereafter stated at amortized cost using the effective interest method less allowance for impairment of doubtful debts (see note 1(o)), 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.

(s) Interest-bearing borrowings

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

(t) Trade and other payables

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

(u) 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.

(v) Employee benefits

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

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

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

(ii) Termination benefits

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

(w) Income tax

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

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

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

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

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

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

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

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

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

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

  – the same taxable entity; or

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

(x) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Contingent liabilities assumed in business combinations

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognized at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognized at the higher of the amount initially recognized, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 1(x)(iii). Contingent liabilities acquired assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 1(x)(iii).

(iii) Other provisions and contingent liabilities

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

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

(y) Revenue recognition

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

(i) Sale of electricity and goods

Electricity revenue is recognized when electricity is supplied to the provincial grid companies. Revenue of goods is recognized when the title of the goods has been passed to customers, which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax ("VAT") or other sales taxes and is after deduction of any trade discounts.

(ii) Service concession construction revenue

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

(iii) Rendering of services

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

(iv) Rental income from operating leases

Rental income receivable under operating leases is recognized in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognized in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognized as income in the accounting period in which they are earned.

(v) Dividends

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

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

(vi) Interest income

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

(vii) Government grants

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

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

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

– the counterparties have committed to purchase the CERs;

– the sales prices have been agreed; and

– relevant electricity has been generated.

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

(z) Translation of foreign currencies

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

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

(aa) Borrowing costs

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

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

(bb) Related parties

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

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

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

(b) has significant influence over the Group; or

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

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

(a) 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).

(b) 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).

(c) both entities are joint ventures of the same third party.

(d) one entity is a joint venture of a third entity and the other entity is an associate of the same third entity, or vice versa.

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

(f) the entity is controlled or jointly controlled by a person identified in (i).

(g) a person identified in (i)(a) 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.

(cc) Segment reporting

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

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

2 ACQUISITION AND DISPOSALS OF SUBSIDIARIES AND NON-CONTROLLING INTERESTS

(a) Acquisition of the subsidiaries during the year ended December 31, 2009

The Group obtained the control of Xiamen Yiye Energy Investment Co., Ltd ("Xiamen Energy") and other entities during the year ended December 31, 2009. The newly acquired subsidiaries are principally engaged in the hydro power generation and sale in the PRC.

In the period from acquisition dates to December 31, 2009, the newly acquired subsidiaries contributed revenue of RMB15,022,000 and the loss after taxation of RMB584,000 to the Group. If the acquisition had occurred on January 1, 2009, the management estimates that consolidated revenue of the Group for the year would have increased by RMB42,376,000 and consolidated profit after taxation of the Group for the year would have decreased by RMB2,027,000. In determining these amounts, the management has assumed that the fair value adjustments arose on the dates of acquisition would have been the same if the acquisition had occurred on January 1, 2009.

The following summarises the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	At the acquisition date		
	Xiamen Energy	Others	Total
	RMB'000	RMB'000	RMB'000
Consideration transferred			
Cash	206,945	262,285	469,230
Contingent consideration	14,816	–	14,816
Total	221,761	262,285	484,046
Identifiable net assets			
Property, plant and equipment	378,664	319,740	698,404
Lease prepayments	396	27,848	28,244
Investment in associate entities	55,956	–	55,956
Other investments	42,000	–	42,000
Trade debtors and bills receivable	7,863	2,226	10,089
Prepayments and other current assets	23,730	693	24,423
Cash and cash equivalents	1,773	510	2,283
Borrowings	(170,079)	(83,000)	(253,079)
Trade creditors and bills payable	(460)	(1,594)	(2,054)
Other payables	(1,756)	(4,026)	(5,782)
Tax payable	(1,220)	(1)	(1,221)
Obligations under finance leases	(49,796)	–	(49,796)
Deferred tax liabilities	(54,661)	(53,416)	(108,077)
Non-controlling interests	(46,493)	–	(46,493)
Total identifiable net assets	185,917	208,980	394,897

The contingent consideration represents that the Group has agreed to pay the seller an additional consideration representing a certain percentage of the CERs income of the subsidiaries of Xiamen Energy in the next 3 years after the acquisition.

Goodwill

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

	At the acquisition date		
	Xiamen Energy	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
Total consideration transferred	221,761	262,285	484,046
Fair value of identifiable net assets	(185,917)	(208,980)	(394,897)
Goodwill	35,844	53,305	89,149

The goodwill is attributable mainly to the skills and technical talent of the acquired subsidiaries' work force, and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs of RMB300,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

(b) Acquisition of the subsidiaries during the year ended December 31, 2010

The Group obtained control of Heilongjiang Huafu Power Investment Co., Ltd ("Heilongjiang Huafu") and other subsidiaries during the year ended December 31, 2010. The newly acquired subsidiaries are principally engaged in the hydro power and wind power generation and sale in the PRC.

In the period from acquisition dates to December 31, 2010, the newly acquired subsidiaries contributed revenue of RMB70,403,000 and profit after taxation of RMB20,294,000 to the Group. If the acquisition had occurred on January 1, 2010, the management estimates that consolidated revenue for the year of the Group would have increased by RMB284,451,000 and consolidated profit after taxation of the Group for the year would have increased by RMB18,568,000. In determining these amounts, the management has assumed that the fair value adjustments arose on the dates of acquisition would have been the same if the acquisition had occurred on January 1, 2010.

The following summarises the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	At the acquisition date		
	Heilongjiang Huafu	Others	Total
	RMB'000	RMB'000	RMB'000
Consideration transferred			
Cash	599,210	247,802	847,012
Identifiable net assets			
Property, plant and equipment	1,319,124	384,158	1,703,282
Investment properties	20,980	–	20,980
Lease prepayments	21,528	4,976	26,504
Intangible assets	940	16	956
Investment in associate entities	–	44,664	44,664
Other investments	1,033	–	1,033
Other non-current assets	119,752	30	119,782
Deferred tax assets	84,425	–	84,425
Inventories	4,893	511	5,404
Trade debtors and bills receivable	87,187	2,231	89,418
Prepayments and other current assets	292,623	9,382	302,005
Restricted deposits	2,847	–	2,847
Cash and cash equivalents	58,835	5,911	64,746
Borrowings	(1,224,000)	(149,490)	(1,373,490)
Trade creditors and bills payable	(192,504)	(1,214)	(193,718)
Other payables	(79,954)	(28,094)	(108,048)
Tax payable	(17,372)	(2,806)	(20,178)
Deferred income	(100)	–	(100)
Deferred tax liabilities	(14,137)	(50,822)	(64,959)
Non-controlling interests	(54,024)	–	(54,024)
Total identifiable net assets	432,076	219,453	651,529

Goodwill

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

	At the acquisition date		
	Heilongjiang Huafu	Others	Total
	RMB'000	RMB'000	RMB'000
Total consideration transferred	599,210	247,802	847,012
Non-controlling interests, based on their proportionate interest in the recognized amounts of the assets and liabilities of the acquiree	99,378	17,902	117,280
Fair value of identifiable net assets	(432,076)	(219,453)	(651,529)
Goodwill	266,512	46,251	312,763

The goodwill is attributable mainly to the skills and technical talent of acquired subsidiaries' work force, and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs of RMB950,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

(c) Acquisition of a subsidiary during the year ended December 31, 2011

On March 31, 2011, the Group obtained control of Zhangping Yongfu Hydropower Development Co., Ltd ("Zhangping Yongfu"), which is principally engaged in Hydropower generation in the PRC, by acquiring 100% of the equity and voting interests in Zhangping Yongfu.

In the period from March 31, 2011 to December 31, 2011 Zhangping Yongfu contributed revenue of RMB29,491,000 and profit after taxation of RMB11,124,000 to the Group. If the acquisition had occurred on January 1, 2011, the management estimates that consolidated revenue for the year of the Group would have increased by RMB3,562,000 and consolidated profit after taxation for the year of Group would have decreased by RMB136,000. In determining these amounts, the management has assumed that the fair value adjustments arose on the date of acquisition would have been the same if the acquisition had occurred on January 1, 2011.

The following summarises the major classes of consideration transferred, and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	At the acquisition date
	RMB'000
Consideration transferred	
Cash	249,375
Identifiable assets acquired and liabilities assumed	
Property, plant and equipment	273,974
Lease prepayments	24,393
Other non-current assets	42
Trade debtors and bills receivable	1,670
Prepayments and other current assets	293
Cash and cash equivalents	10,572
Borrowings	(60,000)
Other payables	(344)
Deferred tax liabilities	(48,746)
Total identifiable net assets	201,854

Goodwill

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

	At the acquisition date
	RMB'000
Total consideration transferred	249,375
Fair value of identifiable net assets	(201,854)
Goodwill	47,521

The goodwill is attributable mainly to the skills and technical talent of the acquired subsidiaries' work force, and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition-related costs

The Group incurred acquisition-related costs of RMB130,000 related to external legal and other professional and consulting fees, which have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

(d) Disposal of Fujian Kemen Power Stage II Generation Co., Ltd ("Kemen II")

The Company disposed its 100% equity interest in Kemen II to Huadian on January 31, 2011 for a cash consideration of RMB206,500,000. On disposal date, the carrying amount of net assets of Kemen II was RMB142,261,000.

	Carrying amount at the disposal date
	RMB'000
Property, plant and equipment	3,104,272
Prepayments and other current assets	250,377
Cash and cash equivalents	100,000
Borrowings	(3,170,000)
Trade creditors and bills payable	(118,510)
Other payables	(1,994)
Deferred tax liabilities	(21,884)
Net assets disposed	142,261
Total consideration	206,500
Less: Cash outflow from the acquiree	100,000
Net cash inflow from disposal	106,500

The consideration was determined with reference to an independent valuation report issued by China Enterprise Appraisals Co., Ltd., an independent appraiser in the PRC.

(e) Disposal of Guangzhou University Town Huadian New Energy Company Limited ("Guangzhou New Energy")

The Company's subsidiary, Huadian New Energy, disposed its 12% equity interest in Guangzhou New Energy to Huadian on August 31, 2011 for a cash consideration of RMB37,763,000. On disposal date, the carrying amount of net assets of Guangzhou New energy was RMB328,699,000.

	Carrying amount at the disposal date
	RMB'000
Property, plant and equipment	598,216
Intangible assets	110
Other non-current assets	17,240
Inventories	1,184
Trade debtors and bills receivable	39,811
Prepayments and other current assets	31,225
Cash and cash equivalents	45,490
Trade creditors and bills payable	(69,902)
Other payables	(60,508)
Tax payable	(4,190)
Borrowings	(148,500)
Obligations under finance leases	(121,477)
Net assets disposed	328,699
Total consideration	37,763
Less: Cash outflow from the acquire	45,490
Net cash outflow from disposal	(7,727)

The consideration was determined with reference to an independent valuation report issued by China Enterprise Appraisals Co., Ltd., an independent appraiser in the PRC.

(f) Acquisitions of non-controlling interests

During the Track Record Period, the Group acquired the additional interests in the subsidiaries, and the following summarises the effect of changes in the Company's ownership interest in these subsidiaries:

	For the year ended December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
The Company's ownership interest at the beginning of the year (or where the subsidiary is acquired by the Group later than the beginning of the year, at the acquisition date)	75,033	408,643	361,475
Effect of increase in the Company's ownership interest	12,717	130,634	83,691
Share of comprehensive income	(7,236)	64,940	20,833
The Company's ownership interest at the end of the year	80,514	604,217	465,999

3 REVENUE

The amount of each significant category of revenue recognized during the year is as follows:

	Years ended December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Sales of electricity			
– Self-generation	5,635,935	6,783,921	5,649,885
– Substituted generation *(note (i))*	1,666,701	1,380,756	1,337,925
	7,302,636	8,164,677	6,987,810
Service concession construction revenue *(note (ii))*	–	193,291	43,901
Others	46,557	39,679	115,701
	7,349,193	8,397,647	7,147,412

(i) The substituted generation arrangement allows a coal-fired power plant to purchase the surplus generation of other coal-fired power plants and sell such generation to the local power grid based on the buyer's approved on-grid tariff.

(ii) During the Track Record Period, the Group entered into a service concession agreement with local government (the "Grantor") to construct and operate wind power plant during the concession period of 25 years. The Group is responsible for construction and maintenance of the wind power plant during the concession period. At the end of the concession period, the Group needs to dismantle the wind power plant or transfer the ownership of the plant at request of Grantor. Service concession construction revenue recorded during the Track Record Period represents the revenue recognized during the construction stage of the service concession period. The same amount of cost is recorded since substantially all construction activities are sub-constructed.

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.

4 OTHER NET INCOME

	Years ended December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Government grants			
– VAT refund *(note (i))*	21,804	4,357	10,144
– Incentives for decommissioning obsolete coal-fired power plants *(note (ii))*	–	135,000	–
– Others	1,530	14,157	53,547
Net income on CDM projects	30,581	75,223	153,425
Net (loss)/gain on disposal of plant, property and equipment, and lease prepayments	(8,422)	8,061	13,641
Rental income from investment properties	–	195	785
Gain on disposal of subsidiaries	–	–	64,239
Net loss on disposal of partial interests in subsidiary with a loss in control	–	–	(1,681)
Net income on sale of coal to Kemen II *(note (iii))*	–	–	–
Others	351	(648)	11,816
	45,844	236,345	305,916

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

(ii) Incentives for decommissioning obsolete coal-fired power plants are compensation incentives received by the Group for the resettlement of workers (see note 6(a)(i)) and other related expenses occurred due to eliminating backward production facilities.

(iii) After the disposal of Kemen II on January 31, 2011 as stated in note 2(d), the Group's subsidiary, Fujian Huadian Kemen Power Generation Company Limited, sold the purchased coal to Kemen II without any mark-up. The sales amount for the year ended December 31, 2011 was RMB2,650,232,000.

5 FINANCE INCOME AND EXPENSES

	Years ended December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Interest income on financial assets	20,913	20,234	62,433
Dividend income from other investments	10,821	6,719	8,112
Net gain on disposal of other investments	44	628	–
Net change in fair value of trading securities	–	183	–
Reversal for the impairment losses on trade and other receivables	–	–	371
Foreign exchange gains, net	100	2,342	–
Finance income	31,878	30,106	70,916
Interest on bank and other borrowings wholly repayable within five years	591,293	584,596	545,659
Interest on other loans	526,844	752,676	1,220,598
Interest expense on financial liabilities measured at amortized cost	30,723	54,332	15,259
Less: interest expenses capitalized into property, plant and equipment and intangible assets	209,097	411,033	534,762
	939,763	980,571	1,246,754
Impairment losses on trade and other receivables	1,618	824	–
Bank charges and others	3,609	3,180	12,241
Net loss on disposal of other investments	–	–	107
Foreign exchange loss, net	–	–	7,225
Finance expenses	944,990	984,575	1,266,327
Net finance expenses recognized in profit or loss	(913,112)	(954,469)	(1,195,411)

The borrowing costs have been capitalized at rates of 4.47% to 5.40%, 4.52% to 6.11%, and 4.65% to 8.46% per annum for the years ended December 31, 2009, 2010 and 2011 respectively.

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Personnel costs

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Salaries, wages and other benefits	535,758	610,254	573,663
Contributions to defined contribution retirement plans	79,767	81,747	82,757
Termination benefits *(note (i))*	–	134,518	–
	615,525	826,519	656,420

(i) Termination benefits represent the compensation expenses for terminating contracts with employees due to the elimination of backward production facilities.

(b) Other items

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Amortization			
– lease prepayments	888	2,759	5,040
– intangible assets	2,109	2,012	8,485
Depreciation			
– investment property	–	69	462
– property, plant and equipment	975,558	1,133,435	1,216,789
Impairment loss of property, plant and equipment	54,792	–	–
Provision for inventory obsolescence	4,299	689	–
Auditors' remuneration			
– audit services	925	4,387	2,137
– other services	229	2,156	1,539
Operating lease charges			
– hire of machinery	–	80	658
– hire of properties	10,808	13,722	16,254

7 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

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

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Current tax			
Provision for the year	71,900	190,508	64,514
Under/(over) provision in respect of prior years	434	(1,278)	1,629
Deferred tax *(note 29(b))*			
Origination and reversal of temporary differences	51,661	(31,282)	29,686
Total income tax	123,995	157,948	95,829

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

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Profit before taxation	565,899	956,091	734,366
Applicable tax rate *(i)*	25%	25%	25%
Notional tax on profit before taxation	141,475	239,022	183,592
Effect of non-deductible expenses	16,921	13,636	12,344
Effect of non-taxable income	(3,503)	(13,022)	(4,718)
Effect of taxable deemed income	–	–	17,500
Effect of PRC tax concessions *(ii)*	(30,051)	(61,425)	(119,265)
Effect of unused tax losses not recognized	10,312	9,340	7,420
Effect of utilization of previously unrecognized tax losses	(11,593)	(15,138)	(2,673)
Effect of recognition of previously unrecognized tax losses	–	(13,187)	–
Under/(over) provision for prior years	434	(1,278)	1,629
Income tax *(iii)*	123,995	157,948	95,829

(i) Provision for income tax represents PRC income tax. On March 16, 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which took effect on January 1, 2008. The statutory income tax rate under the New Tax Law is 25%. Accordingly, the Group's PRC entities are subject to income tax at 25% unless otherwise specified.

(ii) Prior to January 1, 2008, based on the then effective tax regulations, Huadian (Xiamen) Energy Company Limited and Fujian Huadian Zhangping Power Generation Company Limited, being enterprises located in Xiamen Special Economic Zones, were taxed at a preferential income tax rate of 15%. The New Tax Law and its relevant regulations allow transitional rates of 20%, 22%, 24% and 25% for 2009, 2010, 2011 and 2012 onwards, respectively.

Further, Inner Mongolia Huadian Huitengxile Wind Power Company Limited and Xinjiang Huadian Xiaocaohu Wind Power Company Limited, being enterprises engaged in power generation industries in the Western Region, were also taxed at a preferential income tax rate of 15% from 2001 to 2010 and were entitled to tax holidays of 2-year full exemption followed by 3-year 50% reduction in income tax rate from the year they commenced operation (the "2+3 tax holiday"). The New Tax Law and its relevant regulations grandfather such preferential tax rate at 15% and the tax holidays until they expire. Inner Mongolia Huadian Huitengxile Wind Power Company Limited and Xinjiang Huadian Xiaocaohu Wind Power Company Limited started their 2+3 tax holidays in 2006 and 2008, respectively.

In addition, pursuant to CaiShui [2011] No.58, the Group's subsidiaries located in the Western Region are entitled to the preferential income tax rate of 15% from 2011 to 2020.

Certain subsidiaries of the Group, being enterprises engaged in public infrastructure projects, under the New Tax Law and its relevant regulations, are entitled to tax holidays of 3-year full exemption followed by 3-year 50% exemption commencing from their respective years in which their first operating incomes were derived (the "3+3 tax holiday").

The following subsidiaries started their 3+3 tax holidays in 2010:

- Xinjiang Huadian Bu'erjin Wind Power Company Limited
- Xinjiang Huadian Caohu Wind Power Company Limited
- Huadian Tieling Wind Power Company Limited
- Hunan Huadian Chenzhou Wind Power Company Limited
- Inner Mongolia Huadian Meiguiying Wind Power Company Limited
- Huadian Hulin Wind Power Company Limited
- Shanghai Huadian Solar Power Company Limited
- Heilongjiang Huafu Wind Power Muling Company Limited – Phase II
- Heilongjiang Dongning Huafu Wind Power Company Limited
- Harbin Yilan Huafu Wind Power Company Limited

Further, the following subsidiaries started their 3+3 tax holidays in 2011:

- Gansu Huadian Guazhou Wind Power Company Limited
- Gansu Huadian Yumen Wind Power Company Limited
- Huadian Jilin Da'an Wind Power Company Limited
- Inner Mongolia Huadian Huitengxile Wind Power Company Limited – Phase II of Project Kulun
- Inner Mongolia Huadian Hongnijing Wind Power Company Limited
- Inner Mongolia Huadian Jieji Wind Power Company Limited

- Zhoushan Huadian Wind Power Company Limited
- Huadian (Fuqing) Wind Power Company Limited
- Huadian Jiayuguan Solar Power Company Limited
- Hebei Huadian Shangyi Wind Power Company Limited
- Shanxi Huadian Guangling Wind Power Company Limited
- Huadian Shangde Dongtai Solar Power Company Limited
- Jiangsu Huadian Guanyun Wind Power Company Limited

(iii) The decrease in the weighted average effective tax rate during the Track Record Period is mainly due to the increase in the effect of PRC tax concessions during such period as there are 10 and 13 subsidiaries started their 3+3 tax holidays in 2010 and 2011, respectively. Further, during 2010, there were some subsidiaries which turned profitable and therefore be able to utilize and recognise certain previously unrecognised tax losses. This also attributed to a decrease in the weighted average effective tax rate for 2010.

8 DIRECTORS' AND SUPERVISORS' EMOLUMENTS

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

For the year ended December 31, 2009

	Directors' and supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Deferred compensation plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors						
Mr. Huang Xian Pei *(Chairman)*	–	175	356	61	71	663
Mr. Wang Xu Xiang	–	–	–	–	–	–
Mr. Mao Xi Shu	–	–	–	–	–	–
Mr. Fang Zheng	–	278	199	82	50	609
Mr. Huang Shao Xiong	–	175	356	60	71	662
Mr. Zong Xiao Lei	–	–	–	–	–	–
Supervisors						
Mr. Li Chang Xu	–	–	–	–	–	–
Mr. Huang Chun Qi	–	278	199	82	50	609
Mr. Xu Jin	–	169	118	52	29	368
Mr. Yao Fei	–	–	–	–	–	–
Mr. Huang Yuan Hong	–	–	–	–	–	–
Ms. Hu Xiao Hong	–	–	–	–	–	–
	–	1,075	1,228	337	271	2,911

For the year ended December 31, 2010

	Directors' and supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Deferred compensation plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors						
Mr. Huang Xian Pei *(Chairman)*	–	202	436	62	71	771
Mr. Wang Xu Xiang	–	–	–	–	–	–
Mr. Mao Xi Shu	–	–	–	–	–	–
Mr. Fang Zheng	–	340	239	68	50	697
Mr. Huang Shao Xiong	–	202	436	61	71	770
Mr. Zong Xiao Lei	–	–	–	–	–	–
Supervisors						
Mr. Li Chang Xu	–	–	–	–	–	–
Mr. Huang Chun Qi	–	340	239	68	50	697
Mr. Xu Jin	–	190	135	44	28	397
Mr. Yao Fei	–	–	–	–	–	–
Mr. Huang Yuan Hong	–	–	–	–	–	–
Ms. Hu Xiao Hong	–	–	–	–	–	–
	–	1,274	1,485	303	270	3,332

For the year ended December 31, 2011

	Directors' and supervisors' fees	Salaries allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Deferred compensation plan	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Directors						
Mr. Huang Xian Pei *(Chairman)*	–	200	367	56	73	696
Mr. Wang Xu Xiang	–	–	–	–	–	–
Mr. Mao Xi Shu	–	–	–	–	–	–
Mr. Fang Zheng	–	479	102	70	50	701
Mr. Huang Shao Xiong	–	200	367	55	73	695
Mr. Zong Xiao Lei	–	–	–	–	–	–
Independent non-executive directors						
Mr. Zhou Xiao Qian	16	–	–	–	–	16
Mr. Yang Bai Cheng	16	–	–	–	–	16
Mr. Zhang Bai	16	–	–	–	–	16
Supervisors						
Mr. Li Chang Xu	–	–	–	–	–	–
Mr. Huang Chun Qi	–	479	102	70	50	701
Mr. Xu Jin	–	339	70	55	35	499
Mr. Yao Fei	–	–	–	–	–	–
Mr. Huang Yuan Hong	–	–	–	–	–	–
Ms. Hu Xiao Hong	–	–	–	–	–	–
	48	1,697	1,008	306	281	3,340

During the Track Record Period, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. No director has waived or agreed to waive any emoluments during the Track Record Period. No remuneration was paid to independent non-executive directors for the year of 2009 and 2010 as the independent non-executive directors were appointed in October 2011.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

The number of directors and non-directors included in the five highest paid individuals for the years ended December 31, 2009, 2010 and 2011 are set forth below:

	Years ended December 31,		
	2009	2010	2011
Directors or Supervisor	4	4	4
Non-directors and Non-supervisor	1	1	1
	5	5	5

The emoluments of the directors are disclosed in note 8. The aggregate of the emoluments in respect of the remaining highest paid individuals are as follows:

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	142	165	169
Discretionary bonuses	285	349	302
Retirement scheme contributions	51	52	49
Deferred Compensation Plan	57	57	60
	535	623	580

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

	Years ended December 31,		
	2009	2010	2011
Nil to HKD1,000,000	1	1	1

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

10 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganization and the preparation of the results of the Group for the Track Record Period on the basis as disclosed in Section A.

11 SEGMENT REPORTING

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

– Hydro power: this segment constructs, manages and operates hydro power plants and generates electric power for sale to power grid companies.

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

– Coal-fired power: this segment constructs, manages and operates coal-fired power plants and generates electric power for sale to power grid companies.

– Other clean energy business: this segment mainly constructs, manages and operates other power and heat plants and generates electric power for sale to power grid companies or heat for sale to the resident households.

(a) Segment results, assets and liabilities

The Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

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

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

The measure used for reporting segment profit is the operating profit. Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended December 31, 2009, 2010 and 2011 is set out below.

For the year ended December 31, 2009

	Hydro power	Wind power	Coal-fired power	Other clean energy business	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers					
– Sales of electricity	1,228,623	233,095	5,730,353	110,565	7,302,636
– Sales of others	16,316	1,051	29,190	–	46,557
Reportable segment revenue	1,244,939	234,146	5,759,543	110,565	7,349,193
Reportable segment profit (operating profit)	384,219	152,562	1,010,619	13,451	1,560,851
Depreciation and amortization	(375,995)	(97,398)	(486,061)	(16,121)	(975,575)
Impairment	4	–	(58,815)	–	(58,811)
Interest income	3,843	5,765	5,285	129	15,022
Interest expenses	(239,784)	(101,596)	(505,404)	(3,729)	(850,513)
Reportable segment assets	7,631,074	10,506,096	11,840,633	909,971	30,887,774
Expenditures for reportable segment non-current assets during the year	391,709	6,421,826	1,395,540	460,989	8,670,064
Reportable segment liabilities	4,332,971	9,864,786	10,792,752	687,134	25,677,643

For the year ended December 31, 2010

	Hydro power	Wind power	Coal-fired power	Other clean energy business	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers					
– Sales of electricity	2,187,063	546,572	4,973,701	457,341	8,164,677
– Sales of others	19,293	3,031	17,147	208	39,679
Reportable segment revenue	2,206,356	549,603	4,990,848	457,549	8,204,356
Reportable segment profit (operating profit)	1,169,987	346,732	386,155	82,634	1,985,508
Depreciation and amortization	(410,551)	(198,602)	(483,720)	(42,017)	(1,134,890)
Impairment	221	(412)	(57)	–	(248)
Interest income	1,970	6,069	4,861	900	13,800
Interest expenses	(206,973)	(203,837)	(449,245)	(23,430)	(883,485)
Reportable segment assets	8,692,459	19,630,696	14,189,560	1,115,673	43,628,388
Expenditures for reportable segment non-current assets during the year	748,050	6,008,705	1,893,223	159,588	8,809,566
Reportable segment liabilities	4,806,955	17,877,263	12,699,021	813,660	36,196,899

For the year ended December 31, 2011

	Hydro power	Wind power	Coal-fired power	Other clean energy business	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers					
– Sales of electricity	1,427,685	1,209,857	4,044,026	306,242	6,987,810
– Sales of others	13,179	4,604	74,932	15,851	108,566
Reportable segment revenue	1,440,864	1,214,461	4,118,958	322,093	7,096,376
Reportable segment profit (operating profit)	447,005	793,763	655,810	61,550	1,958,128
Depreciation and amortization	(408,180)	(481,247)	(296,974)	(40,202)	(1,226,603)
Impairment	(36)	345	62	–	371
Interest income	5,966	36,442	4,580	970	47,958
Interest expenses	(251,736)	(510,554)	(305,852)	(24,798)	(1,092,940)
Reportable segment assets	8,290,101	24,512,038	10,734,307	1,893,990	45,430,436
Expenditures for reportable segment non-current assets during the year	254,602	5,163,255	720,392	1,260,915	7,399,164
Reportable segment liabilities	4,727,440	21,266,546	8,897,137	1,364,371	36,255,494

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

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Revenue			
Reportable segment revenue	7,349,193	8,204,356	7,096,376
Service concession construction revenue	–	193,291	43,901
Unallocated head office and corporate revenue	–	–	7,135
Consolidated revenue	7,349,193	8,397,647	7,147,412
Profit			
Reportable segment profit	1,560,851	1,985,508	1,958,128
Unallocated head office and corporate revenue	–	–	7,135
Share of profits less loss of associates and jointly controlled entity	(12,335)	11,598	13,112
Net finance expenses	(913,112)	(954,469)	(1,195,411)
Unallocated head office and corporate expenses	(69,505)	(86,546)	(111,156)
Gain on disposal of subsidiaries	–	–	64,239
Loss on disposal of partial interests in subsidiary with a loss in control	–	–	(1,681)
Consolidated profit before taxation	565,899	956,091	734,366

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Assets			
Reportable segment assets	30,887,774	43,628,388	45,430,436
Inter-segment elimination	(1,294,573)	(4,164,969)	(2,904,832)
Investments in associates and jointly controlled entity	1,089,489	1,434,524	2,196,749
Other investments	283,917	475,477	482,300
Deferred tax assets	93,157	246,288	294,480
Tax Recoverable	2,095	74,129	80,922
Unallocated head office and corporate assets	1,845,747	4,017,156	4,119,694
Consolidated total assets	32,907,606	45,710,993	49,699,749
Liabilities			
Reportable segment liabilities	25,677,643	36,196,899	36,255,494
Inter-segment elimination	(1,294,573)	(4,164,969)	(2,904,832)
Tax payable	44,283	132,441	16,243
Deferred tax liabilities	325,279	431,922	536,662
Unallocated head office and corporate liabilities	2,604,284	4,644,916	6,686,327
Consolidated total liabilities	27,356,916	37,241,209	40,589,894

(c) Geographical information

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

(d) Major customers

Revenue from the PRC government controlled power grid companies amounted to RMB7,294,198,000, RMB8,079,661,000, and RMB6,876,898,000 for the years ended December 31, 2009, 2010 and 2011, respectively. Service concession construction revenue is all from the PRC government.

12 PROPERTY, PLANT AND EQUIPMENT

	Buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost:						
At January 1, 2009	8,069,321	14,223,840	127,734	119,397	2,486,770	25,027,062
Additions	2,785	134,643	13,953	5,926	7,908,201	8,065,508
Acquired through business combination	610,331	87,325	497	251	–	698,404
Transfer from construction in progress	198,748	2,249,750	14,597	40,582	(2,503,677)	–
Disposals	(20,501)	(116,910)	(7,168)	(4,058)	–	(148,637)
Net deduction arising from sales and leaseback transaction	–	(72,000)	–	–	–	(72,000)
At December 31, 2009	8,860,684	16,506,648	149,613	162,098	7,891,294	33,570,337
At January 1, 2010	8,860,684	16,506,648	149,613	162,098	7,891,294	33,570,337
Additions	355,801	195,029	17,783	6,573	7,924,896	8,500,082
Acquired through business combination	384,456	1,307,495	6,964	3,274	1,093	1,703,282
Transfer from construction in progress	103,838	2,914,444	15,831	45,414	(3,079,527)	–
Disposals	(14,006)	(103,799)	(13,774)	(7,908)	–	(139,487)
Distribution pursuant to the Reorganization	(53,516)	(83,698)	(7,495)	(4,944)	–	(149,653)
Net deduction arising from sales and leaseback transaction	(5,534)	–	–	–	–	(5,534)
At December 31, 2010	9,631,723	20,736,119	168,922	204,507	12,737,756	43,479,027
At January 1, 2011	9,631,723	20,736,119	168,922	204,507	12,737,756	43,479,027
Additions	19,701	13,922	32,135	14,837	7,134,773	7,215,368
Acquired through business combination	248,889	25,027	58	–	–	273,974
Transfer from construction in progress	873,078	8,134,026	12,268	23,831	(9,043,203)	–
Disposals	(23,609)	(268,554)	(10,519)	(26,585)	–	(329,267)
Transfer out by the disposal of the subsidiary *(note 2(d))*	(580,863)	(2,871,773)	–	–	(7,402)	(3,460,038)
Transfer out by the disposal of partial interest with the loss of control *(note 2(e))*	(73,583)	(593,852)	(2,386)	(1,959)	(253)	(672,033)
Net deduction arising from sales and leaseback transaction	–	(899,379)	–	–	37,863	(861,516)
At December 31, 2011	10,095,336	24,275,536	200,478	214,631	10,859,534	45,645,515

	Buildings and structures	Generators and related equipment	Motor vehicles	Furniture, fixtures and others	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Accumulated depreciation and impairment losses						
At January 1, 2009	2,055,740	3,613,626	83,424	78,201	893	5,831,884
Depreciation charge for the year	213,598	741,812	11,450	11,297	–	978,157
Impairment losses charge for the year	–	54,525	–	267	–	54,792
Written back on disposal	(16,603)	(102,392)	(6,540)	(3,878)	–	(129,413)
Transfer out arising from sales and leaseback transaction	–	(98,265)	–	–	–	(98,265)
At December 31, 2009	2,252,735	4,209,306	88,334	85,887	893	6,637,155
At January 1, 2010	2,252,735	4,209,306	88,334	85,887	893	6,637,155
Depreciation charge for the year	280,550	812,893	13,286	31,784	–	1,138,513
Written back on disposal	(12,243)	(103,916)	(12,477)	(5,795)	–	(134,431)
Distribution pursuant to the Reorganization	(40,793)	(77,315)	(6,939)	(4,176)	–	(129,223)
Transfer out arising from sales and leaseback transaction	(175)	–	–	–	–	(175)
At December 31, 2010	2,480,074	4,840,968	82,204	107,700	893	7,511,839
At January 1, 2011	2,480,074	4,840,968	82,204	107,700	893	7,511,839
Depreciation charge for the year	235,222	949,426	23,123	17,033	–	1,224,804
Written back on disposal	(17,167)	(264,967)	(9,496)	(23,947)	–	(315,577)
Transfer out by the disposal of the subsidiary *(note 2(d))*	(69,236)	(286,530)	–	–	–	(355,766)
Transfer out by the disposal of partial interest with the loss of control *(note 2(e))*	(7,608)	(65,032)	(954)	(223)	–	(73,817)
Transfer out arising from sales and leaseback transaction	–	(653,816)	–	–	–	(653,816)
At December 31, 2011	2,621,285	4,520,049	94,877	100,563	893	7,337,667
Net book value:						
At December 31, 2009	6,607,949	12,297,342	61,279	76,211	7,890,401	26,933,182
At December 31, 2010	7,151,649	15,895,151	86,718	96,807	12,736,863	35,967,188
At December 31, 2011	7,474,051	19,755,487	105,601	114,068	10,858,641	38,307,848

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

(ii) Certain of the Group's interest-bearing bank borrowings were secured by certain of the Group's buildings and equipment as well as construction in progress, which had an aggregate net book value of RMB2,322,471,000, RMB5,825,167,000 and RMB9,585,103,000 as of December 31, 2009, 2010, and 2011.

(iii) During the Track Record Period, the impairment was mainly provided for certain equipments which had permanently ceased operation due to the elimination of backward production facilities.

(iv) Certain properties and equipment of the Group with an aggregate net book value of RMB731,156,000, RMB402,688,000 and RMB772,125,000 as of December 31, 2009, 2010 and 2011 are accounted for as finance leases (of which RMB731,156,000, RMB276,477,000, and RMB772,125,000 are finance lease pursuant to sales and leaseback transactions), with maturity periods of 3 to 20 years.

(v) As of December 31, 2011, the Group is in the process of applying for or changing registration of the ownership certificates for certain of its properties. The aggregate carrying value of such properties of the Group was approximately RMB145,941,000. The directors are of the opinion that the Group is entitled to legally occupy or use these properties.

(vi) The analysis of net book value of properties is as follows:

	At December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Mainland China:			
Long-term leases	6,237,592	6,777,117	6,750,753
Medium-term leases	370,357	374,532	723,298
Total	6,607,949	7,151,649	7,474,051

13 INVESTMENT PROPERTIES

	At December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Cost:			
At January 1	–	–	20,980
Acquired from business combination	–	20,980	–
At the end of the year	–	20,980	20,980
Accumulated amortization:			
At January 1	–	–	70
Charge for the year	–	70	825
At the end of the year	–	70	895
Net book value:	–	20,910	20,085

(i) All the investment properties owned by the Group are located in the PRC. According to the Property Valuation Report issued by independent qualified valuer, the fair value of the Group's investment properties as of December 31, 2010 and 2011 are RMB20,910,000 and RMB20,085,000, respectively.

(ii) The Group's total future rental receivables under non-cancellable operating leases are as follows:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year	–	230	554
After 1 year but within 5 years	–	920	54
More than 5 years	–	1,100	–
	–	2,250	608

(iii) The analysis of net book value of investment properties is as follows:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Mainland China:			
Medium-term leases	–	20,910	20,085

14 LEASE PREPAYMENTS

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cost:			
At January 1	241,087	282,114	337,611
Additions	12,783	75,502	167,590
Acquired through business combination	28,244	26,504	24,393
Disposal	–	(4,367)	–
Distribution pursuant to the Reorganization	–	(42,142)	–
At the end of the year	282,114	337,611	529,594
Accumulated amortization:			
At January 1	6,012	6,900	8,794
Amortization for the year	888	2,759	8,658
Written back on disposal	–	(810)	–
Distribution pursuant to the Reorganization	–	(55)	–
At the end of the year	6,900	8,794	17,452
Net book value:	275,214	328,817	512,142

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 25-50 years.

15 INTANGIBLE ASSETS

	Concession assets	Software and others	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At January 1, 2009	–	17,403	–	17,403
Additions	–	2,346	–	2,346
Acquired through business combination	–	–	89,149	89,149
At December 31, 2009	–	19,749	89,149	108,898
Additions	193,291	3,312	–	196,603
Acquired through business combination	–	956	312,763	313,719
At December 31, 2010	193,291	24,017	401,912	619,220
Additions	45,809	5,571	–	51,380
Acquired through business combination	–	–	47,521	47,521
Disposed of the subsidiary	–	(110)	–	(110)
At December 31, 2011	239,100	29,478	449,433	718,011
Accumulated amortization:				
At January 1, 2009	–	4,458	–	4,458
Charge for the year	–	2,109	–	2,109
At December 31, 2009	–	6,567	–	6,567
Charge for the year	–	2,619	–	2,619
At December 31, 2010	–	9,186	–	9,186
Charge for the year	5,700	2,787	–	8,487
At December 31, 2011	5,700	11,973	–	17,673
Net book value:				
At December 31, 2009	–	13,182	89,149	102,331
At December 31, 2010	193,291	14,831	401,912	610,034
At December 31, 2011	233,400	17,505	449,433	700,338

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

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

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

The recoverable amount of a CGU is determined based on value in use. These assessments use cash flow projections based on financial forecast prepared by management covering a five-year period and discounted rates of 6%-8%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

Based on the assessments, the directors of the Company concluded that there has been no impairment on the goodwill of the Group as of December 31, 2009, 2010 and 2011.

16 INVESTMENT IN ASSOCIATE ENTITIES

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Share of net assets	1,067,139	1,412,174	2,174,057

The following list contains the particulars of associates as at December 31, 2011, all of which are limited liability companies established in the PRC, which principally affected the results or assets of the Group.

Name of company	Place of establishment	Particular of registered capital	Percentage of attributable equity interest: Group's effective interest	Direct	Indirect	Principal activities
		RMB'000				
Zhonghai Fujian Gas Power Generation Company Limited (中海福建燃氣發電有限公司)	the PRC	90,000	25%	25%	–	Gas power generation
Fujian Fuqing Nuclear Power Company Limited (福建福清核電有限公司)	the PRC	3,120,000	39%	39%	–	Nuclear power generation
Guangzhou University Town Huadian New Energy Company Limited (廣州大學城華電新能源有限公司)	the PRC	294,360	43%	–	43%	Gas power generation
Pingnanxian Houlongxi Hydropower Company Limited (屏南縣後壟溪水電有限公司)	the PRC	86,000	45%	5%	40%	Hydropower generation
Fujian Kemen Port Logistics Company Limited (福建可門港物流有限責任公司)	the PRC	581,000	28%	28%	–	Storage and transportation

Summary of financial information on the associate entities:

	At December 31,					
	2009		2010		2011	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets	12,760,479	4,165,227	19,494,075	6,650,660	27,647,028	9,818,402
Liabilities	9,604,334	3,098,088	15,350,157	5,238,486	21,513,394	7,644,345
Equity	3,156,145	1,067,139	4,143,918	1,412,174	6,133,634	2,174,057

	Years ended December 31,					
	2009		2010		2011	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,492,940	388,507	2,455,375	636,662	3,024,107	796,483
(Loss)/profit	(42,145)	(12,335)	29,840	11,598	54,222	12,770

17 INVESTMENT IN JOINTLY CONTROLLED ENTITY

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Share of net assets	22,350	22,350	22,692

The following list contains the particulars of jointly controlled entity which is limited liability company established in the PRC and principally affected the results or assets of the Group.

			Percentage of attributable equity interest			
Name of company	Place of establishment	Particular of registered capital	Group's effective interest	Direct	Indirect	Principal activities
		RMB'000				
Shanghai Huagang Wind Power Company Limited (上海華港風力發電有限公司)	the PRC	44,700	50%	–	50%	Wind power generation

Summary of financial information on the jointly controlled entity:

	At December 31,					
	2009		2010		2011	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets	186,598	93,299	210,296	105,148	225,334	112,667
Liabilities	141,898	70,949	165,596	82,798	179,950	89,975
Equity	44,700	22,350	44,700	22,350	45,384	22,692

	Years ended December 31,					
	2009		2010		2011	
	100 per cent	Group's effective interest	100 per cent	Group's effective interest	100 per cent	Group's effective interest
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	–	–	–	–	3,152	1,576
Profit	–	–	–	–	684	342

18 OTHER INVESTMENTS

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Unquoted equity investments in non-listed companies, at cost *(note (i))*	283,917	473,080	482,300
Trading securities	–	2,397	–
	283,917	475,477	482,300
Representing:			
Current assets	–	2,397	–
Non-current assets	283,917	473,080	482,300
	283,917	475,477	482,300

(i) The following list contains the particulars of major unquoted equity investments in non-listed companies, all of which are limited liability companies and established in the PRC.

Name of company	Place of Establishment	Particular of registered capital	Percentage of attributable equity interest: Group's effective interest	Direct	Indirect	Principal activities
		RMB'000				
Huadian Coal Industry Group Co., Ltd (華電煤業集團有限公司)	the PRC	3,657,143	3%	3%	–	Coal supply
China Huadian Finance Corporation Limited (中國華電集團財務有限公司)	the PRC	5,000,000	6%	–	6%	Financial service
Neimeng Huhhot Hydro-Power Generation Co., Ltd. (內蒙古呼和浩特抽水蓄能發電有限公司)	the PRC	1,404,626	6%	–	6%	Hydro-Power generation utilizing pumped storage technology

19 OTHER NON-CURRENT ASSETS

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Deductible VAT *(note (i))*	500,056	1,142,447	1,406,349
Deferred cost arising from sales and leaseback transaction	48,013	52,365	302,938
Others	16,615	13,118	11,613
	564,684	1,207,930	1,720,900

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

20 INVENTORIES

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Coal	175,808	129,700	143,826
Fuel oil	11,394	10,797	24,624
Spare parts and others	56,233	75,983	99,926
	243,435	216,480	268,376

21 TRADE DEBTORS AND BILLS RECEIVABLE

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Amounts due from sales of electricity	1,050,571	1,354,090	1,810,331
Amounts due from other sales activities	6,293	26,637	83,156
	1,056,864	1,380,727	1,893,487
Less: allowance for doubtful accounts	–	203	138
	1,056,864	1,380,524	1,893,349

All of the trade debtors and bills receivable are from the third parties.

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

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Current	1,056,864	1,380,727	1,893,487
Less: allowance for doubtful accounts	–	203	138
	1,056,864	1,380,524	1,893,349

The Group's trade debtors are mainly electricity sales receivable from local grid companies. Generally, the debtors are due within 15-30 days from the date of invoice. 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.

All trade debtors and bills receivables are expected to be recovered within the credit period.

22 PREPAYMENTS AND OTHER CURRENT ASSETS

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
CER receivable	32,508	92,302	148,104
Staff advance	10,408	10,969	7,423
Deposits	2,761	21,576	2,833
Receivables from related parties	135,136	32,535	636,356
Loans to third parties	8,392	261,828	235,520
Deductible VAT *(note (i))*	94,065	270,775	437,769
Advances to the fellow subsidiaries	195,102	157,937	–
Other advances and debtors	130,776	147,403	130,937
	609,148	995,325	1,598,942

The Group's prepayments and other current assets of RMB9,373,000, RMB11,065,000 and RMB10,465,000 as of December 31, 2009, 2010 and 2011 were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognized. The Group does not hold any collateral over these balances.

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

(i) Deductible VAT mainly represents the input VAT relating to acquisition of property, plant and equipment and inventories, which is expected to be deducted from output VAT within 12 months after the end of each year.

23 RESTRICTED DEPOSITS

Restricted deposits mainly represent cash pledged as collateral for bills payable, tender bonds and housing maintenance fund designated for specific purposes as requested by PRC regulations.

24 CASH AND CASH EQUIVALENTS

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Cash on hand	255	874	425
Deposits with fellow subsidiary *(note (i))*	839,929	–	–
Cash at bank and other financial institutions	682,653	2,693,809	1,488,089
	1,522,837	2,694,683	1,488,514

(i) Deposits with fellow subsidiary mainly represent the deposits in China Huadian Finance Corporation Limited ("Huadian Finance").

25 BORROWINGS

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

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Loans from bank and other financial institutions			
– Secured	3,740,329	5,993,457	8,668,654
– Unsecured *(note (i))*	10,439,219	14,561,575	15,782,201
Loans from fellow subsidiary *(note (ii))*			
– Unsecured	1,300,000	250,000	200,000
Loans from Huadian			
– Unsecured	100,000	2,170,000	–
	15,579,548	22,975,032	24,650,855
Less: Current portion of long-term borrowings			
– Loans from bank and other financial institutions	958,144	1,267,618	2,981,395
– Loans from fellow subsidiary *(note (ii))*	210,000	–	–
	14,411,404	21,707,414	21,669,460

(i) Certain unsecured borrowings were guaranteed by the below entities:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Guarantor			
– Huadian	3,595,000	4,941,000	5,515,900
– Non-controlling interests shareholders	56,000	668,000	304,000
	3,651,000	5,609,000	5,819,900

(ii) Loans from fellow subsidiary represent the loans from Huadian Finance.

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

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Loans from bank and financial institutions			
– Secured	273,000	100,000	10,000
– Unsecured	5,153,804	3,978,893	5,461,450
Loans from fellow subsidiary *(note (i))*			
– Unsecured	420,000	1,650,000	120,000
	5,846,804	5,728,893	5,591,450
Current portion of long-term borrowings			
– Loans from bank and financial institutions	958,144	1,267,618	2,981,395
– Loans from fellow subsidiary *(note (i))*	210,000	–	–
	7,014,948	6,996,511	8,572,845

(i) Loans from fellow subsidiary represent the loans from Huadian Finance.

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

	At December 31,		
	2009	2010	2011
Long-term			
Loans from bank and financial institutions	1.58%~10.26%	4.32%~7.83%	5.04%~8.46%
Loans from fellow subsidiary	4.86%~5.40%	5.18%~5.53%	5.23%~7.05%
Loans from Huadian	4.15%	4.15%~5.60%	–
Short-term			
Loans from bank and financial institutions	4.25%~5.31%	4.37%~6.11%	5.68%~8.20%
Loans from fellow subsidiary	4.78%	4.67%~5.56%	5.23%

(d) The borrowings are repayable as follows:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Within 1 year or on demand	7,014,948	6,996,511	8,572,845
After 1 year but within 2 years	1,411,997	2,476,469	2,475,689
After 2 years but within 5 years	5,096,825	6,190,360	7,314,423
After 5 years	7,902,582	13,040,585	11,879,348
	21,426,352	28,703,925	30,242,305

26 OBLIGATIONS UNDER FINANCE LEASES

The Group had obligations under finance leases repayable as follows:

	At December 31,		
	2009	2010	2011
Present value of the minimum lease payments	RMB'000	RMB'000	RMB'000
Within 1 year	192,034	43,800	219,831
After 1 year but within 2 years	211,863	47,476	259,515
After 2 years but within 5 years	289,221	111,968	137,476
After 5 years	109,854	103,328	47,466
	610,938	262,772	444,457
Present value of finance lease obligations	802,972	306,572	664,288

	At December 31,		
	2009	2010	2011
Total minimum lease payments	RMB'000	RMB'000	RMB'000
Within 1 year	231,425	59,663	245,905
After 1 year but within 2 years	240,810	59,663	281,075
After 2 years but within 5 years	315,237	129,669	161,523
After 5 years	144,450	133,087	84,605
	700,497	322,419	527,203
	931,922	382,082	773,108
Less: total future interest expenses	128,950	75,510	108,820
Present value of finance lease obligations	802,972	306,572	664,288

At inception, the lease periods of the finance lease obligation are approximately 3-20 years. The principal obligations and interest expenses are to be paid at least monthly within the lease period.

27 TRADE CREDITORS AND BILLS PAYABLE

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Trade creditors to follow subsidiaries	–	–	91,207
Trade creditors to third parties	175,922	309,197	432,044
Bills payable to fellow subsidiaries	590,000	640,000	17,856
Bills payable to third parties	2,800	428,278	433,812
	768,722	1,377,475	974,919

The aging analysis for the trade creditors and bills payable is as following:

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Due within 3 month or on demand	546,322	641,667	530,300
Due after 3 month but within 6 months	220,000	705,808	435,619
Due after 6 months but within 1 year	2,400	30,000	9,000
	768,722	1,377,475	974,919

28 OTHER PAYABLES

	At December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Payables for acquisition of property, plant and equipment and intangible assets	3,222,469	5,120,949	6,125,341
Provision for Mianhuatan resettlement compensation *(note (i))*	–	–	40,000
Payables to the related parties *(note (ii))*	212,941	286,716	833,657
Retention payable *(note (iii))*	118,060	153,991	216,541
Dividends payable	–	38,359	13,178
Payables for acquisition of subsidiary	26,190	84,002	43,151
Payables for staff related costs	66,125	162,767	139,834
Payables for other taxes	142,141	156,901	286,933
Interest payable	54,070	64,641	77,304
Other accruals and payables	68,070	95,678	170,715
	3,910,066	6,164,004	7,946,654

(i) Fujian Mianhuatan Hydropower Development Company Limited (the "Mianhuatan Hydropower"), one of the Company's subsidiaries, owns and operates a hydropower plant (the "Mianhuatan Project") in Longyan, Fujian. The relevant local government authority disputed the amount of resettlement compensation required and requested Mianhuatan Hydropower to increase the compensation to cover the rising costs associated with the relocation and resettlement of additional residents, the construction of roads and bridges, environmental protection and the preservation of historical relics. In response to this request, Mianhuatan Hydropower engaged the original independent design institute for this hydropower project, Shanghai Investigation, Design & Research Institute (the "Shanghai Institute"), to assess the need to pay any additional resettlement compensation. To support the local government's relocation and resettlement efforts, Mianhuatan Hydropower agreed in principal and prepaid to the local government additional compensation of RMB15 million, RMB15 million, and RMB360 million in 2009, 2010 and 2011, respectively, totaling RMB390 million in advance payments. In addition, the management of Mianhuatan Hydropower has recognized an additional provision of RMB40 million for this dispute as at December 31, 2011. The advance payments of RMB390 million and the provision of RMB40 million have been capitalised in the property, plant and equipment in the historical financial information. After reviewing the assessment report from the Shanghai Institute, Fujian Development and Reform Commission (the "Fujian DRC") and National Development and Reform Commission of the PRC (the "NDRC") will determine the adjusted resettlement compensation for which Mianhuatan Hydropower will be responsible.

(ii) Payables to the related parties mainly include the payable for the purchase of property, plant and equipment from the fellow subsidiaries which are unsecured, interest-free and have no fixed terms of repayment.

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

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

29 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

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

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Net tax payable at beginning of year	70,120	42,188	58,312
Provision for the year *(note 7(a))*	71,900	190,508	64,514
Acquired from business combination	1,221	20,178	–
Adjustment in respective of prior years *(note 7(a))*	434	(1,278)	1,629
Income tax paid	(101,487)	(193,284)	(189,134)
Net tax payable at end of year	42,188	58,312	(64,679)
Representing:			
Tax payable	44,283	132,441	16,243
Tax recoverable	(2,095)	(74,129)	(80,922)
	42,188	58,312	(64,679)

(b) Deferred tax assets and liabilities recognized:

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

Deferred tax assets/liabilities arising from:	Tax losses	Revaluation deficit	Provision for impairment of assets	Trial run revenue	Deferred income	Expenses deductible on payment basis	Revaluation surplus	Depreciation of property, plant and equipment	Others	Total
	RMB'000 *(note i)*	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2009	103,601	–	40,699	9,656	5,295	18,994	–	(242,665)	(7,964)	(72,384)
Acquisition of subsidiaries	–	–	–	–	–	–	(108,077)	–	–	(108,077)
(Charged)/credited to profit or loss	(41,617)	–	6,790	21,883	4,599	(2,345)	852	(46,817)	4,994	(51,661)
At December 31, 2009	61,984	–	47,489	31,539	9,894	16,649	(107,225)	(289,482)	(2,970)	(232,122)
Credited/(charged) to profit or loss	45,921	–	6,204	2,441	9,460	4,158	5,469	(48,123)	5,752	31,282
Acquisition of subsidiaries	3,560	78,802	1,219	5,133	–	–	(54,110)	(15,138)	–	19,466
Reorganization	–	–	(4,346)	–	–	(635)	–	721	–	(4,260)
At December 31, 2010	111,465	78,802	50,566	39,113	19,354	20,172	(155,866)	(352,022)	2,782	(185,634)
(Charged)/credited to profit or loss	(19,516)	(8,341)	(14,146)	50,760	9,473	757	10,828	(57,314)	(2,187)	(29,686)
Acquisition of subsidiaries	–	–	–	–	–	–	(48,746)	–	–	(48,746)
Disposal of subsidiaries	–	–	–	–	–	–	–	21,884	–	21,884
At December 31, 2011	91,949	70,461	36,420	89,873	28,827	20,929	(193,784)	(387,452)	595	(242,182)

Representing

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Deferred tax asset recognized in the balance sheet	93,157	246,288	294,480
Deferred tax liability recognized in the balance sheet	(325,279)	(431,922)	(536,662)
	(232,122)	(185,634)	(242,182)

The Group recognized deferred tax assets of RMB49,738,000 as of December 31, 2010 for one of its subsidiaries which suffered a loss in 2010 in the tax jurisdiction to which the deferred tax assets relate. Based on the recent operating results as well as financial forecast covering the period till expiration of the related tax losses, management determined it was probable that future taxable profit would be available to utilize the recognized deferred tax assets.

(c) Deferred tax assets not recognized:

In according with the accounting policy set out in note 1(w), the Group have not recognized deferred tax assets in respect of unused tax losses of RMB165,071,000, RMB80,192,000 and RMB99,184,000 respectively as of December 31, 2009, 2010 and 2011. For the unused tax losses as of December 31, 2011, RMB13,396,000, RMB0, RMB19,224,000, RMB36,882,000 and RMB29,681,000, if unused, will expire at the end of year 2012, 2013, 2014, 2015 and 2016, respectively.

30 DEFERRED INCOME

	At December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
At the beginning of the year	23,551	79,242	124,870
Additions	57,656	61,514	123,628
Credited to profit or loss	(1,965)	(15,886)	(39,675)
At the end of the year	79,242	124,870	208,823
Less: current portion of deferred income	2,989	3,225	11,166
	76,253	121,645	197,657

Deferred income mainly represents subsidies relating to the construction of property, plant and equipment, which would be recognized as income on a straight-line basis over the expected useful life of the relevant assets.

31 CAPITAL AND RESERVES

(a) Dividends

Huadian New Energy distributed the dividend of RMB15,000,000 to Huadian New Energy's equity owners on June 30, 2010 pursuant to the board resolution of Huadian New Energy on April 23, 2010 before its injection to HFEC.

Pursuant to the shareholders' committee resolution on August 23, 2011, the Company is to make a distribution to Huadian, China Power Engineering Consulting Group Technology Development Co., Ltd. (中國電力工程顧問集團科技開發有限公司), Kunlun Trust Co., Ltd. (昆崙信託有限責任公司), Guizhou Wujiang Hydropower Development Co., Ltd. (貴州烏江水電開發有限責任公司), China Huadian Engineering (Group) Co., Ltd. (中國華電工程 (集團)有限公司), Industrial Innovation Capital Management Co., Ltd. (興業創新資本管理有限公司), Fujian Datong Chuangye Capital Co., Ltd. (福建省大同創業投資有限公司), which represents an amount equal to the net profit attributable to the equity owner of the Company, generated during the period from January 31, 2011, the date on which the Group's assets were valued for establishment as a joint stock limited company, to August 19, 2011, the date on which the Company was established as a joint stock limited company (the "Special Distribution").

(b) Capital

For the purpose of this report, the capital of the Group prior to the establishment of the Company represented the paid-in capital of HFEC.

The share capital of the Company as of December 31, 2011 represented a total of 6,000 million ordinary shares with a par value of RMB1.00 each.

(c) Reserves

(i) Capital reserve

Capital reserve includes the contributions or distributions from/to equity owners, and the difference between the considerations of acquisition or disposal of equity interests from/to non-controlling equity owners and the carrying amount of the proportionate net identifiable assets.

(ii) Reserve fund

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

(iii) Distributability of reserves

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

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

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

(ii) Allocations to the reserve fund as set out in note 31(c)(ii) above; and

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

(d) Capital management

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

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

The Group monitors its capital structure on the basis of liability-to-asset ratio, which is calculated by dividing total liabilities by total assets. The liability-to-asset ratios of the Group as of December 31, 2009, 2010 and 2011 are 83%, 81% and 82%, respectively.

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

32 FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

Substantially all of the Group's cash and cash equivalents as of December 31, 2011 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 have no significant credit risk with any of these power grid companies as the Group and its subsidiaries maintain long-term and stable business relationships with these companies. The receivables from the provincial power grid companies accounted for 99.40%, 98.07%, and 95.61% of total trade debtor and bills receivable as of December 31, 2009, 2010 and 2011 respectively. For other trade and other receivables, the Group performs an ongoing individual credit evaluation of its customers' and counterparties' financial conditions. The allowance for doubtful debts has been made in the Financial Information.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance.

The Group provide financial guarantees to third parties and related parties. Except for the financial guarantees extended by the Group as set out in note 34(a), the Group does not provide any other guarantees which would expose the Group to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 34(a).

(b) Liquidity risk

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

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

The Group had net current liabilities of RMB8,367,410,000, RMB9,295,234,000 and RMB12,276,751,000 as of December 31, 2009, 2010 and 2011 respectively. With regards to its future capital commitments and other financing requirements, the Group has unutilized banking facilities of approximately RMB15,544,213,000 as of December 31, 2011.

In addition, the directors of the Group have carried out a review of the cash flow forecast for the 18-month period ending June 30, 2013. Based on such forecast, the directors have determined that adequate liquidity exists to finance the working capital and capital expenditure requirements of the Group during the period. In preparing the cash flow forecast, the directors have considered historical cash requirements of the Group as well as other key factors, including the availability of the above-mentioned borrowings financing which may impact the operations of the Group prior to the end of the next twelve months after the date of this report. The directors are of the opinion that the assumptions which are included in the cash flow forecast are reasonable. However, as with all assumptions in regard to future events, these are subject to inherent limitations and uncertainties and some or all of these assumptions may not be realized.

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

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2009						
Long-term borrowings *(note 25(a))*	15,579,548	19,558,191	2,032,050	2,209,575	6,971,682	8,344,884
Short-term borrowings *(note 25(b))*	5,846,804	5,977,270	5,977,270	–	–	–
Obligations under finance leases *(note 26)*	802,972	931,922	231,425	240,810	315,237	144,450
Trade creditors and bills payable *(note 27)*	768,722	768,722	768,722	–	–	–
Other payables *(note 28)*	3,910,066	3,910,066	3,910,066	–	–	–
	26,908,112	31,146,171	12,919,533	2,450,385	7,286,919	8,489,334

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2010						
Long-term borrowings *(note 25(a))*	22,975,032	28,846,351	2,496,154	3,639,668	8,958,540	13,751,989
Short-term borrowings *(note 25(b))*	5,728,893	5,891,174	5,891,174	–	–	–
Obligations under finance leases *(note 26)*	306,572	382,082	59,663	59,663	129,669	133,087
Trade creditors and bills payable *(note 27)*	1,377,475	1,377,475	1,377,475	–	–	–
Other payables *(note 28)*	6,164,004	6,164,004	6,164,004	–	–	–
	36,551,976	42,661,086	15,988,470	3,699,331	9,088,209	13,885,076

	Carrying amount	Contractual cash flows	1 year or less	1-2 years	2-5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2011						
Long-term borrowings *(note 25(a))*	24,650,855	31,448,542	4,480,854	3,796,189	10,351,194	12,820,305
Short-term borrowings *(note 25(b))*	5,591,450	5,806,861	5,806,861	–	–	–
Obligations under finance leases *(note 26)*	664,288	773,108	245,905	281,075	161,523	84,605
Trade creditors and bills payable *(note 27)*	974,919	974,919	974,919	–	–	–
Other payables *(note 28)*	7,946,654	7,946,654	7,946,654	–	–	–
	39,828,166	46,950,084	19,455,193	4,077,264	10,512,717	12,904,910

(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 Track Record Period, however, the management of the Group did not consider it necessary to use interest rate swaps to hedge their exposure to interest risk.

The following table details the profile of the Group's net borrowings (interest-bearing financial liabilities less interest-bearing financial assets) at the balance sheet date. The interest rate and maturity information of the Group's borrowings are disclosed in note 25.

	At December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Net fixed rate borrowings:			
Borrowings	4,656,060	7,630,620	2,694,510
Less: Deposits at bank and fellow subsidiary (including restricted deposits)	182,473	3,768	3,020
	4,473,587	7,626,852	2,691,490
Net floating rate borrowings:			
Borrowings	16,770,292	21,073,305	27,547,795
Obligations under finance leases *(note 26)*	802,972	306,572	664,288
Less: Deposits at bank and fellow subsidiary (including restricted deposits)	1,471,362	2,748,725	1,619,873
	16,101,902	18,631,152	26,592,210
Total net borrowings	20,575,489	26,258,004	29,283,700

At December 31, 2009, 2010 and 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 the total equity by approximately RMB68,197,000, RMB42,562,000, and RMB165,520,000.

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 the entire Track Record Period.

(d) Currency risk

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

(i) Recognized assets and liabilities

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

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

(ii) Exposure to currency risk

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

	At December 31,					
	2009		**2010**		**2011**	
	USD	**EUR**	**USD**	**EUR**	**USD**	**EUR**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Cash and cash equivalents	–	4,376	–	3,439	–	2,351
Other current assets	–	32,508	–	83,116	27,711	166,523
Long-term borrowings	(103,789)	–	(66,227)	–	(30,244)	–
Net exposure	(103,789)	36,884	(66,227)	86,555	(2,533)	168,874

	Average rate			**Reporting date spot rate**		
	Years ended December 31,			**December 31,**		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
USD	6.8314	6.7668	6.4445	6.8282	6.6227	6.3009
EUR	9.7281	8.9247	9.0168	9.7971	8.8065	8.1625

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

A 5% strengthening of RMB against the following currencies as of December 31, 2009, 2010 and 2011 would have increased/(decreased) the Group's profit after tax and the total equity by the amount shown below.

	At December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
USD	570	375	15
EUR	(174)	(467)	(776)
	396	(92)	(761)

A 5% weakening of RMB against the above currencies as of December 31, 2009, 2010 and 2011 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

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

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

(e) Fair values

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in IFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument categorized 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.

As of December 31, 2010, the financial instruments of the Group carried at fair value were trading securities. The instruments fall into Level 1 of the fair value hierarchy described above. Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction for transaction costs.

The carrying amounts of the Group's other financial instruments carried at cost or amortized cost are not materially different from their fair values as of December 31, 2009, 2010 and 2011. The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

33 COMMITMENTS

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

	At December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Contracted for	19,596,255	11,969,164	9,306,310
Authorized but not contracted for	2,369,077	3,181,078	5,257,267
	21,965,332	15,150,242	14,563,577

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

	At December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 year	7,279	11,748	15,579
After 1 year but within 5 years	35,542	36,377	45,863
More than 5 years	133,555	130,491	124,820
	176,376	178,616	186,262

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.

(c) Commitments in respect of the additional investment in Fujian Fuqing Nuclear Power Company Limited

Pursuant to the shareholders' committee resolution of Fujian Fuqing Nuclear Power Company Limited ("Fuqing Nuclear") on August 30, 2011, the Company are committed to make the additional investment of RMB222,300,000 into Fuqing Nuclear as of December 31, 2011.

On February 1, 2012, the Company has paid off the above capital injection in Fuqing Nuclear.

34 CONTINGENT LIABILITIES

(a) Financial guarantees issued

At each year end, the Group issued the following guarantees to banks in respect of the bank loans granted to certain third parties or related parties:

At December 31, 2009

	Period of guaranteed loans		Guaranteed
Third party:	**From**	**To**	**amount**
			RMB'000
Yong'an Hongli Hydropower Company Limited ("Yong'an Hongli") (永安宏力水電有限公司 *(note ii)*)	April 11, 2006	October 11, 2014	35,000

	Period of guaranteed loans		Guaranteed
Related party:	**From**	**To**	**amount**
			RMB'000
Shanghai Huagang Wind Power Company Limited ("Huagang Power") (上海華港風力發電有限公司) *(note (i))*	December 26, 2008	January 6, 2022	70,300

At December 31, 2010

	Period of guaranteed loans		Guaranteed
Third parties:	**From**	**To**	**amount**
			RMB'000
Heilongjiang FuJin Wind Power Co., Ltd (黑龍江華富風力發電富錦有限責任公司)	May 31, 2004	May 31, 2017	60,000
Heilongjiang FuJin Wind Power Co., Ltd (黑龍江華富風力發電富錦有限責任公司)	August 23, 2006	August 22, 2015	24,000
Heilongjiang FuJin Wind Power Co., Ltd (黑龍江華富風力發電富錦有限責任公司)	December 5, 2006	December 4, 2018	101,000

Related parties:	Period of guaranteed loans From	To	Guaranteed amount
			RMB'000
Yong'an Hongli *(note (ii))*	April 11, 2006	October 11, 2014	35,000
Sanming Taijiang Hydropower Co., Ltd ("Sanming Taijiang") *(note (ii))* (三明台江水電有限公司)	April 10, 2010	April 10, 2011	19,000
Sanming Taijiang *(note (ii))*	August 31, 2004	August 31, 2014	19,200
Sanming Taijiang *(note (ii))*	September 2, 2004	September 2, 2014	10,068
Sanming Taijiang *(note (ii))*	June 2, 2006	June 2, 2013	14,000
Sanming Taijiang *(note (ii))*	July 18, 2007	July 18, 2014	12,000
Huagang Power *(note (i))*	December 26, 2008	January 6, 2022	70,750
Huagang Power *(note (i))*	October 22, 2010	December 21, 2023	23

At December 31, 2011

Third party:	Period of guaranteed loans From	To	Guaranteed amount
			RMB'000
Yunnan Huaning New Kowloon Investment Co., Ltd (雲南華寧新九龍投資有限公司) *(note (iii))*	April 30, 2008	April 30, 2018	145,000

Related parties:	Period of guaranteed loans From	To	Guaranteed amount
			RMB'000
Yong'an Hongli *(note (ii))*	April 11, 2006	October 11, 2014	36,000
Sanming Taijiang *(note (ii))*	June 2, 2006	June 2, 2013	9,000
Sanming Taijiang *(note (ii))*	July 18, 2007	July 18, 2014	10,000
Huagang Power *(note (i))*	December 26, 2008	January 6, 2022	66,500
Huagang Power *(note (i))*	October 22, 2010	December 21, 2023	27,800

(i) Shanghai Huagang Wind Power Company Limited ("Huagang Power") applied fixed assets project collateral loan from China Construction Bank Corporation Shanghai Branch for constructing and operating Shanghai Laogang wind power project. Huadian New Energy issued "Commitment Letter of Completion" to China Construction Bank Corporation Shanghai Branch, promising that the above Shanghai Laogang wind power project will be completed on schedule and will be put into operation, and if Huagang Power does not carry out its obligation for the project Huadian New Energy will take over the whole or partial obligation assumed by Huagang Power according to the commitment letter. The Guarantee will be relieved when the loan mortgage rate (the total amounts of principals and interests to the mortgaged fixed assets) is less than 70%.

(ii) The Company acquired 100% equity interest and control right in Yong'an Yinhe Power Generation Company Limited on November 1, 2010, which holds 30% and 23% of equity interest in Sanming Taijiang and Yong'an Hongli, and after that Sanming Taijiang and the Yong'an Hongli became the Group's related parties.

(iii) The subsidiary of the Company, Zhangping Yongfu Hydropower Development Company Limited ("Yongfu Hydropower"), issued a guarantee to the bank in respect of banking facility granted to Yunnan Huaning New Kowloon Investment Company Limited ("Huaning Investment"), and the guarantee will be terminated at the end of the construction period of Huaning Investment. At the same time, the equity owners of Huaning Investment also issued counter guarantee by pledging 100% equity interest in Huaning Investment to Yongfu Hydropower.

(b) Contingent liability in respect of taxes on CDM revenue

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.

(c) Contingent liability in respect of the resettlement compensation for Mianhuatan Hydropower

As set out in note 28(i), Mianhuatan Hydropower has been requested by the relevant local government authority to further increase the compensation to cover the rising costs associated with the relocation and resettlement of additional residents, the construction of roads and bridges, environmental protection and the preservation of historical relics. The final resettlement compensation has yet to be determined by the provincial DRC and the NDRC. Mianhuatan Hydropower has prepaid aggregated amount of RMB390 million during the years ended December 31, 2009, 2010 and 2011 in relation to this dispute and has recognised a provision of RMB40 million during the year ended December 31, 2011 based on the assessment of the circumstances.

Subsequent to December 31, 2011, Huadian, the ultimate holding company, has undertaken to indemnify the Group against its losses, claims, charges and expenses arising from the relocation and resettlement of local residents in relation to Mianhuatan Project if the additional compensation the NDRC requires the Group to pay were to exceed the RMB40 million.

35 MATERIAL RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

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

The principal related party transactions which were carried out in the ordinary course of business are as follows:

Continuing related party transactions

	Years ended December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Purchase and shipping of goods from			
Fellow subsidiaries *(note (i))*	78,667	85,777	233,387
Purchase of construction service and construction materials from			
Fellow subsidiaries *(note (ii))*	396,744	441,443	790,197
Receivables for leasing out the fixed assets and providing operating service to			
Fellow subsidiaries *(note (iii))*	–	–	46,825
Office rental and property management service from			
Fellow subsidiaries *(note (iv))*	7,269	11,244	12,837
Providing CDM management service to			
Fellow subsidiaries *(note (v))*	–	–	7,887
Loan guarantees provided by			
Huadian *(note (vi))*	1,000,000	–	–
Loan guarantees provided to (released from)			
Associates *(note (vii))*	–	74,268	(55,268)

Related party transactions discontinued/to be discontinued

	Years ended December 31,		
	2009	**2010**	**2011**
	RMB'000	**RMB'000**	**RMB'000**
Sales of coal to			
A fellow subsidiary *(note 4(iii))*	–	–	2,650,232
Purchases of goods and service from			
Fellow subsidiaries *(note (viii))*	2,297,924	2,534,900	1,764,653
Fund provided to (got back from)			
A fellow subsidiary *(note (ix))*	(100,000)	(107,460)	–
Huadian *(note (ix))*	–	5,805	22,256
An associate *(note (ix))*	26,182	(188)	–
Fund provided by			
Associates *(note (x))*	–	–	30,000
Fund repayment to			
Associates *(note (x))*	–	–	30,000
Loan guarantees provided by			
Huadian *(note (xi))*	1,220,000	1,346,000	574,900
Loan guarantees provided to			
Associates *(note (xii))*	70,300	35,473	24,527
Loans received from/(repayment to)			
Huadian Finance *(note (xiii))*	670,000	180,000	(1,580,000)
Huadian *(note (xiii))*	–	2,070,000	(2,170,000)
Interest expenses			
Huadian Finance *(note (xiii))*	81,529	69,251	65,076
Huadian *(note (xiii))*	4,150	4,150	20,588
Interest income			
Huadian Finance *(note (xiv))*	11,832	5,086	3,296
Other fellow subsidiary *(note (xiv))*	12,194	–	–
An associate *(note (xiv))*	–	1,362	3,119
Assets/liability transferred to			
Huadian *(note (xv))*	–	131,291	–
Disposal of subsidiary to			
Huadian *(note 2(d))*	–	–	206,500
Disposal of partial interest in subsidiary with the loss in control to			
Huadian *(note 2(e))*	–	–	37,763

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

(i) This mainly represented the shipping service purchased from Huayuanxing Shipping Co., Ltd. (華遠星海運有限公司), and the replacement electricity purchased from Kemen II.

(ii) This is mainly about construction services and construction materials purchased from China Huadian Engineering (Group) Co., Ltd (中國華電工程(集團)有限公司), China Huadian Equipment Co., Ltd. (中國華電重工裝備有限公司) and Guodian Nanjing Automation Co., Ltd. (國電南京自動化股份有限公司).

(iii) This represented the service of leasing out the fixed assets and providing entrusted operation service the fixed assets and providing to Kemen II.

(iv) This represented office rental and property management service provided by the fellow subsidiaries in Huadian.

(v) This represented the income received for the CDM management service provided to the fellow subsidiaries in Huadian.

(vi) This represented the guarantees provided by Huadian on the long-term loans the Group borrowed from Zhong Rong International Trust Co., Ltd. (中融國際信託有限公司).

(vii) This represented the movements in the guarantees provided by the Group to the associates of Sanming Taijiang.

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

(viii) This mainly represented the coal materials, unloading and storage service provided by China Huadian Coal Industry Group Co., Ltd. (中國華電煤業集團有限公司), Huadian Coal Industry Group Sales and Shipping Co., Ltd. (華電煤業集團運銷有限公司), and Fujian Huadian Transportation Co., Ltd. (福建華電儲運有限公司).

(ix) This represented the movements in the operating fund provided by the Group to Xiamen Factory of Huadian (中國華電集團公司廈門電廠), to the fellow subsidiary, Inner Mongolia Huadian Zhuozi Power Generation Co., Ltd. (內蒙古華電卓資發電有限公司) and to its associate of Pingnan Houlongxi Hydropower Company Limited (屏南縣後壟溪水電有限公司).

(x) This represented the operating fund provided by the Group's associate, Guangzhou New Energy, to the Company, and this fund has been repaid to Guangzhou New Energy before the end of year 2011.

(xi) This represented the guarantees provided by Huadian on the long-term loans borrowed from the other financial institutes than Zhong Rong International Trust Co., Ltd. (中融國際信託有限公司).

(xii) This represented the movements in the guarantees provided by the Group to the associate of Huagang Power and Yong'an Hongli.

(xiii) This represented the movements in the loans which were borrowed from/repaid to Huadian Finance and Huadian, and the corresponding interest expenses incurred.

(xiv) This represented the interest income generated from deposits placed in Huadian Finance, the interest income generated from the operating fund provided to Inner Mongolia Huadian Zhuozi Power Generation Co., Ltd. (內蒙古華電卓資發電有限公司) and Pingnan Houlongxi Hydropower Company Limited (屏南縣後壟溪水電有限公司).

(xv) Pursuant to the Reorganization in 2010, HFEC disposed certain assets which do not meet the Group's strategic operation plans to Huadian at nil consideration. These assets include its equity interest of 4% in Huadian Property Co., Ltd. (華電置業有限公司) and other assets. The carrying amount for the above assets as of the date of disposal was RMB131,291,000.

(b) Outstanding balances with related parties

Details of the other outstanding balances with related parties are set out in notes 22, 24, 25, 28 and 34(a).

(c) Key management personnel remuneration

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

Remuneration for key management personnel, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Salaries and other emoluments	1,443	1,719	2,421
Discretionary bonus	1,672	2,024	1,683
Retirement scheme contributions	460	416	463
Deferred compensation plan	368	365	440
	3,943	4,524	5,007

36 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENTS

Major non-cash transactions

	Years ended December 31,		
	2009	2010	2011
	RMB'000	RMB'000	RMB'000
Distribution pursuant to the Reorganization	–	121,146	–
Capital contributions from non-controlling interest owner	–	–	100,000
	–	121,146	100,000

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

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

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

(a) Impairment losses for bad and doubtful debts

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

(b) Impairment losses of non-current assets

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

(c) Recognition of deferred tax assets

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

(d) Depreciation

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

(e) Income tax

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

38 PARENT AND ULTIMATE HOLDING COMPANY

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

39 THE COMPANY'S BALANCE SHEET

The balance sheet of the Company as of December 31, 2011 was as follows:

	Notes	At December 31, 2011
		RMB'000
Non-current assets		
Property, plant and equipment	i	761,380
Lease prepayment		74,636
Intangible assets		5,115
Investment in associate entities	ii	1,807,157
Investment in subsidiaries	iii	6,665,854
Other investments	iv	133,845
Deferred tax assets		71,479
Other non-current assets		199
Total non-current assets		9,519,665
Current assets		
Inventories		2,001
Trade debtors and bills receivable	v	43,287
Prepayments and other current assets	vi	1,878,928
Restricted deposits		12,790
Cash and cash equivalents		344,132
Total current assets		2,281,138
Current liabilities		
Borrowings	vii	3,717,150
Trade and bills payables		376
Other payables	viii	846,440
Total current liabilities		4,563,966
Net current liabilities		(2,282,828)
Total assets less current liabilities		7,236,837
Non-current liabilities		
Borrowings	vii	503,000
Total non-current liabilities		503,000
NET ASSETS		6,733,837
CAPITAL AND RESERVES		
Capital		6,000,000
Reserves		733,837
TOTAL EQUITY		6,733,837

(i) The detailed information for the property, plant and equipment is as below:

	At December 31, 2011
	RMB'000
Cost:	
Buildings and structures	754,331
Generators and related equipment	838,948
Motor vehicles	42,498
Furniture, fixtures and others	24,618
Construction in progress	188,905
Total	1,849,300
Accumulated depreciation and impairment losses:	
Buildings and structures	549,411
Generators and related equipment	491,939
Motor vehicles	27,717
Furniture, fixtures and others	17,960
Construction in progress	893
Total	1,087,920
Net book value:	
Buildings and structures	204,920
Generators and related equipment	347,009
Motor vehicles	14,781
Furniture, fixtures and others	6,658
Construction in progress	188,012
Total	761,380

(ii) Investment in associate entities

	At December 31, 2011
	RMB'000
Unlisted capital contributions, at cost	1,871,776
Less: impairment loss	(64,619)
	1,807,157

Details of the Company's associate entities are set out in notes 16.

(iii) Investment in subsidiaries

	At December 31, 2011
	RMB'000
Unlisted capital contributions, at cost	6,665,854

Details of the Company's subsidiaries are set out in Section A.

(iv) Other investment

	At December 31, 2011
	RMB'000
Unquoted equity investments in non-listed companies, at cost	133,845

All of the unquoted equity investments in non-listed companies are limited liability companies and established in the PRC. The main investment is the following entity:

Name of company	Place of establishment	Particular of registered capital	The Company's effective interest	Principal activities
		RMB'000		
Huadian Coal Industry Group Co., Ltd. (華電煤業集團有限公司)	the PRC	3,657,143	3%	Coal supply

(v) The trade debtors and bills receivable are mainly electricity sales receivable from local grid companies, and the management is of the opinion that there is no impairment on it. All trade debtors and bills receivables are current and expected to be recovered within one year.

(vi) The detailed information for the prepayments and other current assets is as below:

	At December 31, 2011
	RMB'000
Receivables from the subsidiaries	1,827,458
Loans to and receivables from related parties	40,772
Staff advance	653
Other advances and debtors	10,045
Total	1,878,928

The Company's prepayments and other current assets of RMB6,670,000 as of December 31, 2011 were individually determined to be impaired. The individually impaired receivables related to the counterparties that were in financial difficulties and management assessed that the receivables are not expected to be recovered. Consequently, specific allowances for doubtful debts were recognized. The Company 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.

(vii) Borrowings

	At December 31, 2011
	RMB'000
Short-term loans from bank and financial institutions	
– Unsecured	3,717,150
Long-term loans from bank and financial institutions	
– Unsecured	503,000

The interest rate for the borrowings:

	At December 31, 2011
Short-term loans	
– Bank and financial institutions	6.06%~7.54%
Long-term loans	
– Bank and financial institutions	5.53%~7.75%

The borrowings are repayable as follows:

	At December 31, 2011
	RMB'000
Within 1 year or on demand	3,717,150
After 1 year but within 2 years	200,000
After 2 years but within 5 years	28,000
After 5 years	275,000
Total	4,220,150

(viii) The detailed information for other payables is as below:

	At December 31, 2011
	RMB'000
Payables for acquisition of property, plant and equipment and intangible assets	44,922
Payables to the related parties	70,134
Payables to the subsidiaries	662,590
Retention payable	388
Payables for acquisition of subsidiaries	26,225
Payables for staff related costs	2,453
Payables for other taxes	20,673
Interest payable	7,883
Other accruals and payables	11,172
Total	846,440

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

Up to the date of this report, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the period beginning January 1, 2011 and which have not been adopted in preparing the Financial Information. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 7, Financial instruments: Disclosure	July 1, 2011
Amendments to IAS 12, Income Taxes	January 1, 2012
Amendments to IAS 1, Presentation of financial statements	July 1, 2012
Amendments to IFRS 9, Financial instruments (2009)	January 1, 2015
IFRS 9, Financial instruments (2010)	January 1, 2015
IFRS 10, Consolidated financial statements	January 1, 2013
IFRS 11, Joint arrangements	January 1, 2013
IFRS 12, Disclosure of interest in other entities	January 1, 2013
IFRS 13, Fair value measurement	January 1, 2013
IFRS 27, Separate Financial Statements (2011)	January 1, 2013
IFRS 28, Investment in associate and joint ventures (2011)	January 1, 2013
Revised IAS 19, Employee benefits	January 1, 2013

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 these new IFRSs is unlikely to have a significant impact on the Group's results of operations and financial position.

D SUBSEQUENT EVENTS

On March 28, 2012, the Company sold all of its 28.0% equity interest in an associate, Fujian Kemen Port Logistics Co., Ltd., with a carrying amount of RMB124.2 million as at December 31, 2011, to an independent third party, for a cash consideration of RMB256.0 million, which was determined between the Company and the buyer on normal commercial terms with reference to an independent asset valuation report. This disposal resulted in a net investment gain of approximately RMB131.8 million in March 2012. The Company have received the total consideration of this disposal in full by April 2012.

E SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to December 31, 2011.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong